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Downing Street briefings fiasco piles pressure on Starmer

● Bid to pre-empt challenge backfires
● Allies attempt to 'kneecap' Streeting

GEORGE PARKER, JIM PICKARD, ANNA GROSS AND DAVID SHEPPARD

Sir Keir Starmer is under pressure to overhaul his "toxic" Downing Street operation after disastrous briefings created a leadership crisis just two weeks before the Budget.

Health secretary Wes Streeting claimed that Starmer's aides had tried to "kneecap" him after Number 10 officials raised the prospect that the prime minister could face a leadership challenge from Labour plotters.

People close to Starmer said he would fight any challenge, with some saying Streeting was preparing a coup, backed by up to 50 ministers.

"I don't understand how anyone thinks it is helpful to the PM to suggest he's fighting for his job," Streeting said yesterday as he denied the claim.

He added that there was a "toxic culture" around Number 10 and that going out to "kneecap" a cabinet member was "self-destructive behaviour".

The anonymous briefings elevated the idea of a leadership threat from low-level Westminster gossip into a glaring admission by the prime minister's own supporters that he is in a weak position.

The self-inflicted wound came just two weeks before the Budget, when chancellor Rachel Reeves has indicated she will break her manifesto pledge not to raise income tax.

Some blamed McGraw McWeney, Starmer's chief of staff, for instigating the briefings in a bid to head off any plot, and a number of Labour MPs urged the prime minister to remove him.

McWeney told colleagues that he was simply observing that in the "mad" scenario where the prime minister was

challenged, he would stand and fight. Downing Street colleagues admitted that the briefing had backfired.

"Morgan needs to go," said one Labour MP from a working-class seat, adding: "Only this lot of boys in Number 10 could dream up a stunt meant to help the PM and somehow make him look weaker. We look like a bunch of kids playing at government."

Alastair Campbell, Tony Blair's former spin-doctor, said that the briefing was "as dumb as it gets". Inside Downing Street there was a grim acceptance of the mistake. "Not every day is a brilliant day at work," said one official.

As recriminations flew, Starmer was forced at Prime Minister's Questions to say "any attack on any member of my cabinet is unacceptable". He denied authorising any attack but faced claims from Tory leader Kemi Badenoch that he had "lost control" of his government.

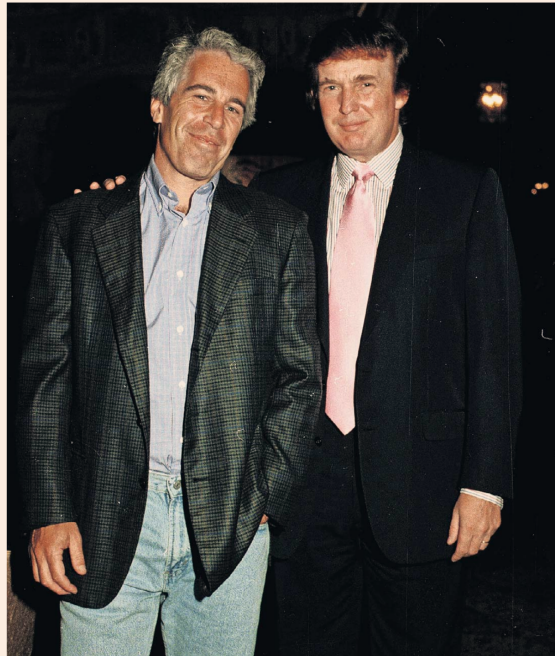
A YouGov poll found that 51 per cent of voters thought Starmer should step down as Labour leader compared with only 27 per cent who thought he should stay in Downing Street.

Some Labour MPs believe Number 10 wanted to "flush out" potential leadership rivals. Streeting, former deputy prime minister Angela Rayner, former Labour leader Ed Miliband and home secretary Shabana Mahmood are seen in Starmer's circles as potential rivals.

The identification of alleged individual plotters – notably Streeting – was done by people outside Downing Street, according to Starmer's aides. Number 10 insisted Streeting was doing a "brilliant" job, while Starmer's spokesman said McGraw McWeney had his full support.

Facing the plots page 3

File drop Democrats release emails raising fresh questions over Trump's ties to Epstein



Jeffrey Epstein (left) and Donald Trump at the Mar-a-Lago estate, Palm Beach, Florida, in 1997. Davidoff Studios/Getty Images

Email exchanges revealing allegations that Donald Trump was more aware of Jeffrey Epstein's illicit activities than he has previously admitted were released for the first time yesterday.

In one email exchange, the late child sex offender wrote that Trump was the "dog that hasn't barked" and had "spent hours at my house" with a woman later identified as a victim of sex trafficking. In another 2015 email

between Epstein and a New York Times reporter, the disgraced financier asked the reporter if he would "like photos [sic] of Donald and girls in bikinis in my kitchen".

House Democrats published three email exchanges that were part of more than 20,000 documents turned over to Congress by Epstein's estate.

House Republicans accused their Democratic counterparts of "cherry

picking" the new material before they published the entire tranche.

The fresh disclosures threaten to reignite a bipartisan furor over the president's links to Epstein.

White House press secretary Karoline Leavitt said that Democrats had "selectively leaked emails to the liberal media to create a fake narrative to smear President Trump".

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Briefing

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The US internet giant has filed a lawsuit against a group of Chinese hackers it claims sells software to help criminals operate scams, alleging they have ensnared 1mm people and stolen \$1bn. — PAGE 8

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The French parliament has voted to suspend the president's key pension reform, the latest blow to his business-friendly agenda as the National Assembly debates a compromise package. — PAGE 4

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Reeves to curb purchases of high-end bikes through salary sacrifice scheme

JIM PICKARD AND ROBERT WRIGHT — LONDON
EMMA ADEHAM — COPENHAGEN

Buyers of expensive manual and electric bicycles through salary sacrifice schemes will have their tax benefits sharply cut under plans being drawn up by chancellor Rachel Reeves before the Budget this month.

She is not expected to scrap the Cycle to Work scheme but is expected to introduce a new cap on how much people can spend on a purchase, according to people familiar with Budget preparations.

The original upper threshold of £1,000 was scrapped in 2019, allowing the purchase of even the most expensive bikes. But now ministers do not believe subsidies of several thousand pounds are the best use of taxpayer money.

"Cycle to Work should be about help-

ing ordinary commuters switch to greener travel, not giving tax breaks to high earners buying £4,000 e-bikes for weekend rides in the Surrey Hills," said one government figure.

"Taxpayers shouldn't be footing the bill for luxury leisure."

Launched by Sir Tony Blair's Labour government in 1999, the Cycle to Work scheme allows employees to purchase a bike and accessories with an interest-free loan from their employer.

Monthly payments are then made deducted from the employee's gross salary every month, before tax and national insurance are applied. The programme saves 42 per cent of the cost of the bike for higher rate taxpayers.

HM Revenue & Customs estimated there were about 200,000 claimants under the scheme in 2023-24, up from

167,000 in 2019-20. The cost of the scheme rose from £55mm in 2019-20 to £130mm in 2024-25.

Retailers of high-end bikes have long acknowledged that some higher-rate taxpayers were exploiting the perk to fund cut-price purchases of performance road bikes costing up to £10,000.

Will Pearson, co-owner of London-based Pearson Cycles, a designer and retailer of high-end bikes, said: "The government should leave the scheme alone or, ideally, improve the incentives rather than restrict them."

Reeves is already determined to cap the tax benefits of salary sacrifice schemes for pension schemes in the fiscal event on November 26, as she looks to fill a hole in the public finances estimated at £20bn-£30bn.

"The Treasury declined to comment on Budget "speculation".



Military examiners called up for driving test duty

Army driving examiners used to testing troops in handling full tankers and armoured carriers as well as cars will be deployed to tackle a mounting backlog of learners looking to qualify. Their efforts will add up to 6,500 more slots over the coming year, according to the transport department. It is the first time military driving instructors – who are civil servants rather than military personnel – have been assigned to routine car-driving tests.

Big test – PAGE 3

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World Markets

STOCK MARKETS

	Nov 12	Prev	%Chg
S&P 500	6962.11	6946.61	+0.24
Nasdaq Composite	23310.74	23468.39	-0.67
Dow Jones Ind	48322.80	47827.86	+0.84
FTSE 100	2301.46	2314.86	-0.78
Euro Stoxx 50	5297.31	5275.79	+0.08
Nikkei 225	39114.2	39089.00	+0.12
Hang Seng	5330.64	5325.22	+0.10
FTSE All-Share	3241.24	3156.72	+1.04
Xetra Dax	24381.46	24388.06	-0.22
Nikkei	51063.31	50842.83	+0.43
Hang Seng	28827.73	28686.41	+0.85
MSCI World	4385.13	4359.98	+0.68
MSCI EM	1403.68	1399.98	+0.25
MSCI ACWI	1006.34	999.80	+0.63
Wall Street 2500	5607.09	5645.00	-0.26
Wall Street 5000	88197.94	88256.52	-0.13

CURRENCIES

	Nov 12	Prev	%Chg
Pair	Nov 12	Prev	%Chg
Bitcoin	101450.00	103384.80	-1.14
Ethereum	3396.61	3482.07	-0.57

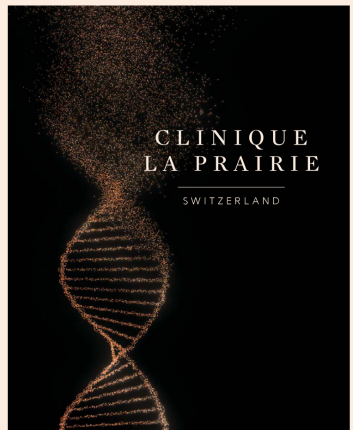
COMMODITIES

	Nov 12	Prev	%Chg
Oil WTI \$	58.86	61.19	-3.80
Oil Brent \$	62.83	65.23	-3.56
Gold \$	4177.00	4108.00	+1.71

GOVERNMENT BONDS

	Nov 12	Prev	%Chg
Yield (%)	Nov 12	Prev	%Chg
US 2 Yr	3.58	3.58	0.00
US 10 Yr	4.08	4.12	-0.03
US 30 Yr	4.68	4.71	-0.03
JPY 2 Yr	3.27	3.26	0.01
JPY 10 Yr	4.51	4.49	0.02
JPY 30 Yr	5.21	5.18	0.03
JPY 2 Yr	0.94	0.94	0.00
JPY 10 Yr	1.69	1.69	0.00
JPY 30 Yr	3.19	3.18	0.01
GER 2 Yr	2.01	2.00	0.01
GER 10 Yr	2.87	2.87	0.00
GER 30 Yr	3.26	3.26	0.00

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Ukraine war

Top aide sought back channel to Putin

National security adviser called Moscow amid fears of Europe being sidelined

ANASTASIA STOGEIENI AND MAX SEDDON
BERLIN
HENRY FOY — BRUSSELS
DAVID SHEPPARD — LONDON
CHRISTOPHER MILLER — KYIV

National security adviser Jonathan Powell tried to open a back channel to Russian President Vladimir Putin as Britain and its closest European allies feared the Trump administration could sideline their interests over Ukraine.

Powell, a veteran negotiator who played a crucial role in securing peace in Northern Ireland, called Putin's foreign

policy aide Yuri Ushakov earlier this year, according to three people briefed on the attempts. The approach was envisaged as a way to ensure the position of the UK and other European countries was correctly communicated to the Russians, according to the people.

It came amid fears in Europe over President Donald Trump's inconsistent approach to supporting Ukraine and concerns that US interests were diverging from those of European nations, the people said.

Powell's call with Ushakov proved a one-off and failed to open up a new line into Putin's inner circle, according to the people briefed on the matter, with one saying it "did not go well".

"There was such contact," Kremlin

spokesperson Dmitry Peskov confirmed to reporters yesterday, when asked about the Financial Times story. "The dialogue did not continue. During this contact, the interlocutor showed a strong desire to present the Europeans' position, while there was no intention or willingness to listen to ours. As mutual exchange of views proved impossible, the dialogue did not develop further."

Powell's call was not part of a co-ordinated G7 outreach but rather the UK's independent initiative, backed by some European capitals, a European official said. "The worry is that we are outsourcing the discussions with the Russians to the Americans," they added.

Downing Street said it was normal for

the UK to "regularly engage with the Russian government, including through our embassy in Moscow".

A UK official said Powell had not spoken to Ushakov in recent months, including around Trump's unilateral August meeting with Putin in Alaska – a time of peak anxiety for Europe.

The official did not otherwise dispute that Powell, who was hired by Prime Minister Sir Keir Starmer last year, had sought to build a back channel.

After the full-scale invasion of Ukraine, the Kremlin maintained an increasingly hostile tone towards Europe and the US. That changed after Trump took office in January 2025, promising to end the war in Ukraine. US-Russia relations thawed as Trump

pressed Ukrainian President Volodymyr Zelenskyy to accept Putin's demands for territory.

The shift in relations culminated in Trump and Putin's August meeting in Alaska. But the summit did not go well, with Trump abruptly ending it early after Putin stuck to his demands that Kyiv surrender territory it still held.

A second European official said there was concern among some allies about Powell's outreach "before more pressure is applied" on Russia through sanctions and other measures.

There was also a fear that the Trump administration might be antagonised by Powell's attempt to open up a separate communications channel outside US-led efforts for peace talks, they added.

Cross-channel ties

Cash friction threatens to derail UK-EU 'reset' talks

ANDY BOUNDS — BRUSSELS
PETER FOSTER — LONDON

The EU has given the green light to talks with the UK on reducing trading frictions, but a growing dispute over money threatens to poison them before they begin.

Ambassadors from the 27 EU member states agreed the negotiating mandate yesterday for key parts of the post-Brexit "reset" sought by the UK government after defeating a German-led rebellion about making London pay into the EU budget.

They backed French-led demands that the UK must contribute to EU "cohesion funds" as the price of a deal to remove border checks on plant and animal products and re-link EU and UK energy markets.

But three EU diplomats said the EU statement launching the talks had been softened to say that it "will reflect" on the appropriate levels of financial contribution, rather than a more definitive "will establish".

The weakening of the text came after Germany, backed by the Netherlands and others, pushed back against French-led demands for the UK to make cohesion payments for areas agreed in May at the Windsor summit on the "reset" of UK-EU relations.

An EU diplomat warned the compromise had left a "sword of Damocles" hanging over the EU-UK negotiations before they had even started.

The UK has asked for a 50 per cent discount on its contributions to the Erasmus+ student exchange programme, which it promised at the May summit to "work towards" rejoining – a key request of many EU member states.

Brussels has argued that the UK's discount should be just 30 per cent and apply only to 2027.

An EU diplomat familiar with the discussions warned that UK "penny-pinching" over rejoining Erasmus+, alongside efforts to limit the impact of a proposed Youth Experience Scheme for young people, risked poisoning the coming negotiations.

"The UK constantly harping on about 'value for money' is a real trigger for a lot of member states. Everyone has tough fiscal situations and this is just making the negotiation dangerously transactional," the diplomat added.

"The British should not be surprised. All third countries pay for access to the EU market," said one of the three EU diplomats. "If we made an exception then, Norway and Switzerland would want the same."

The UK government said: "We are working together to implement the package agreed at the UK-EU summit and are committed to a broad and constructive relationship with the EU."

Meanwhile, a second fight over money has erupted after the UK rejected an EU demand to pay up to €6.7bn to benefit from a C140bn rearmament programme.

Brussels has pushed the UK's powerful defence industry to participate in the Security Action for Europe, or Safe, programme that would help European countries to jointly procure new weapons.

But France has corralled the other members into charging a high entry fee. Two diplomats told the Financial Times the price could drop a little to get a deal.

Hot seat BBC seeks boss with talent and political savvy

DANIEL THOMAS

The BBC is set to appoint headhunters to find its next director-general, a role that many in the industry regard as a poisoned chalice given the level of scrutiny and personal attacks that ultimately led to the resignation of Tim Davie.

One issue is that many of the more obvious candidates are in private sector roles that pay much better than the head of the BBC without the potential personal fallout. Tim Davie earned about £550,000 and had to publish his expenses, while ITV boss Carolyn McCall was paid a total of more than £4m last year.

The final decision will be made by the BBC board, rather than the Labour government. The criteria will range from knowledge of the media landscape and BBC journalism to political savvy and ability to handle a crisis, according to those close to the corporation.

One person close to the board pointed out that almost every director-general in recent history, except Mark Thompson, left under a cloud. "The intensity of the job in such a febrile environment... it ruins your private life."

Here are some of the contenders:

Charlotte Moore

Moore is seen as a favourite for many inside the BBC – which she left in the summer to become chief executive of Left Bank Pictures, a British independent production company. But the question is whether she could work with the Labour government. Since leaving politics, Osborne has been editor of the Evening Standard and a partner at Robert Westshaw, the London-based investment banker. He is also an adviser to the cryptocurrency exchange Coinbase, chair of the British Museum and presents the Political Currency podcast with Ed Balls.

George Osborne

The former Tory chancellor would have the political knowhow to navigate the Westminster media melee and would be welcomed by many of the BBC's right-wing opponents. But the question is whether he could work with the Labour government. Since leaving politics, Osborne has been editor of the Evening Standard and a partner at Robert Westshaw, the London-based investment banker. He is also an adviser to the cryptocurrency exchange Coinbase, chair of the British Museum and presents the Political Currency podcast with Ed Balls.

Jay Hunt

The creative director of Apple TV+ for Europe has commissioned award-winning shows such as *Slow Horses* during her eight years with the streamer but



Contenders: clockwise from left, former Channel 4 chief executive Alex Mahon, ex-chancellor George Osborne and Apple TV+ creative director for Europe Jay Hunt



has a long connection with the BBC. She was controller of BBC One for two-and-a-half years and before that worked on *Newsnight* and as editor of both the *One O'Clock News* and *Six O'Clock News*. She previously worked as chief creative officer for Channel 4 and director of programmes at Channel 5.

Alex Mahon

Mahon left Channel 4 after almost eight years as chief executive, including seeing off the threat of privatisation by the Conservative government and putting in place plans for the digital transition of the broadcaster. She now runs festivals business Supertrust Entertainment.

Carolyn McCall

ITV chief executive McCall is currently in talks with Sky to merge its UK TV

business with ITV's, so the timing could be difficult.

However, she is seen as a strong contender to lead the BBC if she could be persuaded to leave its domestic rival after eight years in the role. She was previously chief executive of easynet and chief executive of the Guardian Media Group.

James Harding

The editor-in-chief of The Observer and founder of Tortoise Media is known to have a deep love for the BBC, where he served as director of news and current affairs between 2012 and 2018. But Harding, who argued for the need for the BBC to be free from political interference at this year's MacTaggart Memorial Lecture – has only just invested in ventures to back his vision to

acquire The Observer newspaper, which makes the timing potentially awkward.

Jane Turton

Turton, boss of TV production group All3Media, was another candidate for director-general in 2020. She has been at All3Media since 2008 and now oversees a network of independent production, distribution and digital media companies. All3Media was last year acquired by RedBird IHL, the US and Abu Dhabi-backed investment group.

Tristram Hunt

Hunt has been director of the Victoria and Albert Museum since 2017, overseeing its expansion to multiple venues around the UK. He would be seen as politically acceptable for the government having been a Labour MP and

shadow secretary of state for education, and has worked on many radio and TV programmes for the BBC and Channel 4.

Rhodi Talfan Davies

Davies, who is the BBC's director of nations and sits on its executive committee, is seen as one of the few internal candidates able to step up to the job.

Appointed in 2021, he heads BBC content across TV, radio and online, serving local audiences in England, Scotland, Wales and Northern Ireland. He has also overseen the corporation's deployment of generative AI technology. Davies leads the team responsible for the UK's biggest news show – the regional BBC One 6.30pm programme – as well as the 45 local and national radio stations. Additional reporting by George Parker
John Gapper page 23

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England

Military examiners called up to ease driving test logjam

JAMIE JOHN

Military driving examiners will be deployed to carry out driving tests across England, as the government seeks to beat down on the post-pandemic backlog of learner drivers waiting to qualify.

The Department for Transport said 56 new "defence driving examiners" – civil servants who usually test military personnel driving cars, fuel tankers and armoured carriers – would be sent to driving test centres "with the highest demand" in an effort to cut delays.

The examiners would conduct multiple car driving tests one day a week over the next 12 months, adding up to 6,500 more slots over the coming year at a cost of £100,000, the DfT said yesterday.

It is the first time that military driving examiners have been assigned to conduct civilian car driving tests. In the year to March, a total of 2mm tests were completed, according to the Driver and Vehicle Standards Agency (DVSA), the executive agency that

administers tests in the UK. Waiting times for driving tests have ballooned since the Covid-19 pandemic, when they were suspended for stretches or available only to emergency or "key" workers.

While the DVSA in October 2023 set a target of rolling out 150,000 extra test slots by the end of March 2024, a thriving black market has since emerged, with providers using bots to buy slots and resell them for a profit.

In a bid to clamp down on "unfair booking practices", the transport department yesterday said it would allow only learner drivers to make test bookings and limit the number of changes made to bookings to two. At present, instructors can book tests on behalf of learners.

Emma Bush, managing director of AA Driving School, said the changes "should help alleviate some of the pressure on the system and... reduce the wiggly-room that is allowing unscrupulous test resellers to profit from learners' misery".

Statistics agency

ONS cuts back work on health and crime data after problems

DELPHINE STRAUSS

The national statistics agency is scaling back work in critical areas such as crime and health to focus on repairing its core economic indicators.

The Office for National Statistics said it planned to reduce its "outputs" by 10 per cent in 2026 to free staff to work on improving the quality of its most critical statistics and surveys.

The ONS is engaged in a huge turnaround drive after deep-seated issues within it led to problems with key economic indicators that policymakers rely on. An independent review blamed the problems in part on its over-reach into new areas at the expense of "less exciting but nonetheless crucial" statistics.

Health is one area likely to suffer big cutbacks, despite the leading role the ONS played during the Covid-19 pandemic when it developed new surveys to monitor the spread of infection.

James Benford, ONS director-general for economic, social and environmental statistics, said this reflected "a strategic

call that right now, the ONS does not need to be in that space", with other government bodies able to fill the gap. It will continue publishing core figures for births, deaths and life expectancy.

The ONS is also putting on hold some work to improve its crime statistics despite long-standing concern over the quality of alternative data collected by police, which is often unreliable because of differences in the way forces record offences. It will still produce headline figures based on its Crime Survey for England and Wales, but will review broader work to ensure its Home Office funding matches the cost of delivery.

Benford said that funding aside, the ONS needed more time to handle the sensitivities of developing new statistics on sexual violence, making it "a good time to take stock".

A third area where the ONS has run into funding constraints is in its production of local statistics that policymakers use to form a detailed picture of economic, social and environmental conditions in between the 10-yearly censuses.

Embattled Starmer faces plots from across Labour

Discreet conversations take place about how, whether and when to dislodge PM as speculation grows of move in new year

JIM PICKARD, ANNA GROSS
AND DAVID SHEPPARD

The plotting began months ago. In quiet corridors on the Parliamentary estate, in pubs and restaurants nearby, Labour MPs have been asking about Sir Keir Starmer's future.

"We decided a long time ago that he is the head duck of a prime minister," said one. "Of course we have discussed whether he can survive, and whether we can contribute to his departure." Barry Gardiner, a veteran left-winger, said that plots against the prime minister were "common knowledge" in Westminster.

Discreet conversations are taking place about the how, the whether and the when of dislodging a prime minister who – only last year – won the biggest Labour majority in a general election for nearly 27 years.

But a misguided briefing by well-intentioned Downing Street aides has now exposed these deep tensions.

Names in the frame as potential successors include former deputy prime minister Angela Rayner, energy secretary and previous Labour leader Ed Milliband, health secretary Wes Streeting, and deputy leader Lucy Powell.

But for now the plotting is coming from several rival factions from across the party. If they can even be called "rebelleons", they are amorphous and incipient.

Since April, the party – and its leader – have become increasingly disliked among the general public. Starmer and his chancellor, Rachel Reeves, have seen their personal ratings plummet. Reform UK was neck and neck with Labour in the polls in April but is now 13 points ahead.

MPs are braced for the administration to become even more unpopular later this month when Reeves increases taxes yet again by billions of pounds.

Many politicians across the Labour spectrum believe any attempt to oust Starmer from Downing Street would be foolish before local and national elections in England, Wales and Scotland next May where the party is on track to

"They fired a starting gun by mistake, and firing a gun in the alps is not the best idea"

be pummelled by the electorate. "Nothing is happening before May," said one Blairite figure. "From day one it has been a case of 'let's make it work', if it can't work, we have to get through a bad Budget and a really bad set of elections results out of the way before deciding what to do next."

Labour is expected to lose control in Wales for the first time in a century, go backwards in Scotland – both at the hands of nationalists and Reform UK – and lose many seats in London to smaller left-wing parties.

"There have been meetings where colleagues have discussed problems over the leadership and poll ratings and wondered what to do about it, and whether the prime minister can last," said one Labour MP. "No one wants to carry the can for the May elections. They all want that out of the way before they make their move."

The perils of moving against the leadership too early were laid bare ahead of the last left-conference in September when Andy Burnham, mayor of Greater Manchester, spoke out against Starmer before falling back into line.

And yet a disastrous briefing to journalists on Tuesday appears to have brought forward that timetable.



Tensions: Andy Burnham, mayor of Greater Manchester, left, spoke out against Keir Starmer before falling back into line, while Wes Streeting, right, a frontrunner for the top job, was forced to express loyalty to the leader this week

F.T. message AP/Getty

accused Downing Street of failing to listen to Labour MPs and members, and Burnham accused Downing Street in October of creating a "climate of fear" and said "wholesale change" was required to see off an "existential" threat to the party.

For now, the lack of agreement between MPs about Starmer's successor could work to his advantage.

While the Conservative party axed multiple leaders during the previous decade, Labour has never indulged in successful regicide. "The party doesn't do coups, we are shit at it, we have never been good at it," said one Labour thinker.

No sitting Labour prime minister has ever been directly ousted by their own party. There have been three major attempts to force out Labour leaders during the 21st century, none of them wholly successful.

"Forcing him out through the rule book is almost impossible and would make everyone look like idiots because it would fail. So the only way there is a change is if he comes to the conclusion himself," said one Labour figure.

So febrile is the mood in Westminster that speculation is growing of an earlier move against Starmer in the new year.

"Fomo is a very powerful force, once things are up and running. Everyone thinks, 'if I don't move now I'll miss out, this is my last best opportunity', and it develops a momentum of its own," said one Labour veteran.

Tuesday's active briefing of a handful of high-profile journalists by aides in Downing Street was an attempt to nip those discussions in the bud by making clear that Starmer will not budge if and when a coup attempt occurs.

But the briefings backfired because they were an explicit acknowledgment of the existence of potential leadership challenges. That left even some loyal MPs holding their heads in their hands on Tuesday night. "Wild Number 10 briefing," said one. "Everyone looks nuts." Another said: "They fired a starting gun by mistake, and firing a gun in the alps is not the best idea."

Multiple colleagues accused Number 10 of acting in a "paranoid" way.

At the same time however, some aides believe that the furore over the last 24 hours will have had one positive outcome for the prime minister – by forcing Streeting, one of the frontrunners for the top job, to express loyalty to the leader.

Streeting furiously denied any plotting after one newspaper suggested 50 signatures had been gathered behind him. One Blairite MP told the Financial Times: "I'm sure there hasn't been an attempt to get signatures for Wes as leader, because they would have approached me by now if there was."

But a person close to Streeting said they believed he would have the numbers of supporters among Labour MPs to mount a bid and said the health secretary would not be fishing in the same pool as home secretary Shabana Mahmood, who is also on the right of the party, given "they are in different sects". They added that several other senior figures in the party, including several cabinet ministers, were keen to throw their hats in the ring for a leadership contest, believing this might be their only shot.

Of those suggested as possible successors, Streeting has been critical of Starmer when talking to MPs outside of his usual Westminster circles, according to one MP. Powell, who was elected deputy Labour leader this month, has

tricity bills her priority and, if necessary, sacrifice the VAT cuts.

They argued that scrapping, or lowering, the levies would ultimately help more households, do more to boost the economy and further the government's goal of electrifying its energy system, which it has pledged to achieve by 2030.

"If it is not possible to reduce both VAT and other energy levies in the same budget, we urge you to prioritise reducing the levy burden on electricity bills," they said in the letter organised by advisory group E3G.

They said lowering electricity charges would be a "critical step in reducing energy bills, fighting fuel poverty and delivering greater economic growth".

The government is under pressure to bring down energy bills, which remain hundreds of pounds higher than before the start of the energy crisis in 2021.

A Treasury spokesperson said it did not comment on speculation over tax policy changes outside of fiscal events.

Energy costs

Reeves urged to cut electricity charges as priority in Budget

JIM PICKARD AND RACHEL MILLARD

Energy companies, consumer groups and environmentalists have urged Rachel Reeves to prioritise bringing down electricity bills in the Budget.

The chancellor is drawing up plans to reduce annual energy bills by as much as £200 per household through measures including cutting the 5 per cent VAT on both gas and electricity bills.

She is also expected to scrap an environmental levy charged to energy customers that helps pay for efficiency improvements in lower-income homes.

There have also been discussions within government about removing other charges to pay for green energy and other policies placed on electricity bills, according to those familiar with the matter.

More than 60 groups, including Octopus Energy, Eon UK, Greenpeace and Citizens Advice, have signed a letter calling on Reeves to make lower elec-

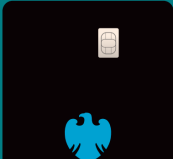


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Trump pushes Abraham pact in pursuit of Mideast peace

US views diplomacy with Israel as vital but Arab leaders see it differently

ABIGAIL HAUSLOHNER — MANAMA

Donald Trump gathered officials and diplomats at the White House this month for what his administration billed as a grand reveal: a new nation was joining the Abraham Accords, the US president's signature first-term policy to normalise ties between Israel and Muslim nations.

That Kazakhstan, the country in question, has had diplomatic relations with Israel for more than three decades did not dampen Trump's enthusiasm for what he called a "major step forward in building bridges across the world".

But even if the underwhelming announcement baffled observers, it underscored how, a month on from the Hamas ceasefire, the president and his team see expanding Israel's diplomatic relationships as crucial to lasting regional peace. Washington's Arab and Muslim partners, by contrast, insist the only way to a lasting peace deal is through Palestinian statehood.

No one, including Trump, expects the

'A Palestinian state is a prerequisite for regional integration'

Saudi foreign ministry

next phase of his 20-point plan for Gaza to come easily. But the administration's fixation on the Abraham Accords has frustrated some Arab and Muslim governments, say diplomats and analysts.

Regional officials have said implementation of a credible plan for securing and governing war-ravaged Gaza — and genuine moves towards a Palestinian state — must come before an expansion of diplomatic ties with Israel.

That has not stopped the president from trying, and from insisting that countries were "lining up" to join the Abraham Accords. Such deals would "allow for a true, lasting regional stability", the US director of national intelligence, Tulsi Gabbard, told regional officials at a security conference in Bahrain this month.

US optimism about expanding the accords belies not only the tenuousness of the ceasefire in Gaza, which has been repeatedly threatened by outbreaks of violence. It also underestimates, say regional officials and analysts, how the outrage that courses through much of the Arab and Muslim world over Israel's offensive has made the prospect of normalisation anathema.

This is nowhere more apparent than in Saudi Arabia. Before Hamas's October 7 2023 attack on Israel, which triggered the war, Riyadh had been edging closer to a grand bargain with the Biden administration to normalise Israeli ties in return for a US defence pact and co-operation on a civil nuclear programme.

The images of Palestinian death and suffering since then have drastically

changed Prince Mohammed bin Salman's calculus, however, and raised the domestic political stakes of normalisation, as a generation of young Saudis gained a deeper awareness of the decades-long Israeli-Palestinian conflict.

The prince, who has accused Israel of genocide, now insists there will be no normalisation without credible, irreversible steps towards a Palestinian state, something Israeli Prime Minister Benjamin Netanyahu and his far-right government reject.

A Palestinian state is a prerequisite for regional integration," said Manal Radwan, a senior Saudi foreign ministry official. "We have said it many times, but the answer appeared not to have resonated, she said, "because we keep being asked this question."

Prince Mohammed is set to visit the White House next week and is expected to sign a more limited defence pact, via an executive order, which is not expected to include any moves on normalisation. He has never fully taken normalisation off the table. But he also felt no urgency to go through with it, said Aaron David Miller, a former Middle East peace negotiator.

While the United Arab Emirates, Bahrain, Morocco and Sudan joined the accords in 2020, Saudi Arabia — home to Islam's two holiest sites — is seen as the grand prize, after which the administration believes other states will follow. Indonesia, the world's largest Muslim nation by population — which has been cited by Trump administration officials as another possible signatory — has also said it will not normalise ties with Israel without a two-state solution.

US administration officials declined to clarify the practical implications of Kazakhstan entering the accords, given its pre-existing diplomatic ties with Israel. Marco Rubio, secretary of state, told reporters last week that it signified a stronger "partnership", while vice-president JD Vance suggested the move was more symbolic, signalling to the world that "the Abraham Accords is alive and well in the second administration".

In the meantime, the more immediate tasks of Trump's 20-point peace plan for Gaza have faltered amid a lack of consensus on basic details.

While US officials have expected Arab and Muslim states to lead an international stabilisation force for Gaza, regional leaders have so far balked at committing troops to an effort that could potentially place them in conflict with Palestinian militants.

"Why would the Arab countries do Israel's dirty work in Gaza?" asked Hasan Alhasan, a senior fellow at The International Institute for Strategic Studies think-tank and a former Bahraini foreign policy official. Jordanians were simply not going to assume the role of "policing Gaza", said Ayman Safadi, Jordan's foreign minister.

Additional reporting by Andrew England and A. Anantha Lakshmi



'Why would the Arab countries do Israel's dirty work in Gaza?'

Hasan Alhasan, International Institute for Strategic Studies

A displacement camp set up by the Egyptian Relief Committee in Nuseirat, Gaza
Eyad Saban/PTF/Getty



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Corruption trial

White House steps up drive to secure pardon for Netanyahu

JAMES SHOTTER — JERUSALEM

Donald Trump has written to Israel's president, calling on him to pardon Benjamin Netanyahu, stepping up his unprecedented campaign to end the Israeli prime minister's long-running corruption trial.

In a letter to his Israeli counterpart Isaac Herzog, the US president called for Netanyahu to be "fully" pardoned, saying the five-year-old trial risked "unnecessarily" diverting Netanyahu's attention from more pressing matters.

"While I absolutely respect the independence of the Israeli Justice System, and its requirements, I believe that this 'case' against Bibi, who has fought alongside me for a long time, including against the very tough adversary of Israel, Iran, is a political, unjustified prosecution," Trump wrote in the letter, which was published by Herzog's office.

Herzog replied that while he held Trump "in the highest regard", anyone seeking a presidential pardon "must submit a formal request in accordance with the established procedures".

Netanyahu is facing charges of fraud, bribery and breach of trust in three complex, overlapping criminal cases focused on his relationships with wealthy businesspeople. He has denied any wrongdoing and dismissed the charges as politically motivated.

Members of Netanyahu's coalition welcomed Trump's intervention, with the far-right national security minister Itamar Ben-Gvir saying that a "pardon in this case is the right and urgent thing to do". President Herzog, listen to President Trump," he wrote on X.

Opposition politicians were careful to avoid criticising Trump, with Yair Golan, head of the leftwing Democrats, saying that Netanyahu should step down if he could not juggle his trial and his position as prime minister.

Yair Lapid, head of the largest opposition party, Yesh Atid, said Israeli law stipulated that "the first condition for receiving a pardon is an admission of guilt and an expression of remorse".

Trump's letter is the most formal of a series of pleas he has issued in support of Netanyahu.

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A full-page portrait of a man with dark hair, styled back, wearing a dark brown double-breasted suit with a white shirt and a patterned tie. He is sitting on a clear acrylic stool, looking off to the side with a serious expression. The background is a plain, light-colored wall.

GIORGIO ARMANI
MADE TO MEASURE

Companies & Markets

Google sues China hackers for selling text scam software

- Move aims to shut servers and sites
- Tech group says \$1bn stolen globally

STEPHEN MORRIS — SAN FRANCISCO
ELEANOR GILCOTT — BEIJING
MEHUL SRIVASTAVA — LONDON

Google has filed a lawsuit against a group of Chinese hackers that it claims sells software to help criminals run online scams, which the US tech giant said had ensnared 11m people in 121 countries and stolen \$1bn.

The group runs a platform called "Lighthouse", which charges a monthly fee for "phishing services" that assist criminals to execute campaigns to extract sensitive information, according to a complaint filed in the Southern District of New York yesterday.

These phishing campaigns generate fake emails, text messages and websites impersonating Google's brands such as

attacks, recruiting and training members and using their experiences to fine-tune its software, Google claims.

Criminals can choose from hundreds of templates for fake websites coded up by a "developer group" in exchange for a fee paid in cryptocurrency. A "data group" then provides a list of victims to a "spammer group" to send millions of text messages with links to the sites where victims are encouraged to enter their personal and financial details. These are then stolen and used to access bank or email accounts, populate digital wallets or simply sold for profit.

The Telegram user named in the Google lawsuit as the main administrator of the largest channel selling Lighthouse software initially told the FT they were not connected to the channel, then acknowledged being an administrator but said they rarely checked it.

Google cited data from cyber security group Silent Push alleging that in a 20-day period this year Chinese criminal group "Smishing Triad" used Lighthouse to make 200,000 fake websites, which received 50,000 visits a day, compromising millions of US credit cards.

"It becomes a little bit of a game of Whack-a-Mole, but we're actually able to identify the offenders and go after them individually," Prado said. "It should provide a pretty decent ripple effect of a deterrent... by continuing to do this, we make certain types of phishing attacks less desirable."

More than 90 per cent of successful cyber attacks begin with a phishing email and there are 3.4m of them every day, according to the US Cybersecurity and Infrastructure Security Agency.

The scams are becoming increasingly sophisticated as criminals learn to use artificial intelligence to create hyper-personalised messages by scraping social media and other online profiles.

Google probed on news page 10

Fare deal Ride-hailing rivals offer Indonesia fund a 'golden share' to secure \$29bn merger



Ready to roll: GoTo's Gokej office in Jakarta. A combined body would control 90% of the market — Dinus Andon/Bloomberg

A. ANANTHA LAKSHMI — JAKARTA
OWEN WALKER — SINGAPORE
DAVID KEAHANE — TOKYO

Ride-hailing companies Grab and GoTo are in talks to offer Indonesia's sovereign wealth fund a "golden share" to gain approval for a potential merger that would create a \$29bn south-east Asian tech group.

Merger discussions include a proposal to give the sovereign wealth fund Danantara a minority stake in the merged entity, with special rights over the Indonesian arm, according to two people familiar with the matter.

The special rights would give Danantara, which was launched by President Prabowo Subianto this year and is seen as representing government interests, a say over issues such as drivers' pay, said one of the people.

"This business is full with political tensions because we employ so many people in the gig economy," said the person.

"You want to be close to the government."

Singapore-based Grab and Indonesia's GoTo, which runs the Gokej ride-hailing service, have long held on-off merger talks. They have accelerated this year, with an Indonesian official saying this month the government, which is not an investor in either company, was discussing the merger.

The combined entity would control 90 per cent of Indonesia's ride-hailing and food delivery market, creating an undisputed leader in south-east Asia's largest economy.

The companies are important sources of jobs for a population that is increasingly dependent on informal work. GoTo alone has 3.1m drivers for cars, motorcycle taxis and deliveries, according to the company. The gig workers' clout was shown in August, when they joined thousands of other Indonesians in a mass protest against extravagant benefits for lawmakers.

Prasetyo Hadi, Indonesia's state secretary, said last week the government was discussing a merger and that Danantara, which manages \$900bn of state-owned assets, was involved in the talks.

Citigroup analysts said the comments and Danantara's role indicated an endorsement from Jakarta. However, "the possibility of failure or delay remains significant", added analyst Ferry Wong.

GoTo said "no decision or agreement" had been made over a deal with Grab. Grab declined to comment.

Grab and GoTo had a combined market value of \$72bn when they went public in 2021 and 2022 respectively.

Grab is down more than half and GoTo down more than 80 per cent because of fierce competition between them in south-east Asia.

Additional reporting by Diana Marisha in Jakarta

US law firm weighs sector's first private equity tie-up

STEPHEN POLEY, KAYE WIGGINS, ANTOINE GARA AND OLIVER BARNES — NEW YORK

McDermott Will & Schulte is exploring a restructuring that would allow it to sell a stake to private equity, a move that would test ethics rules preventing non-lawyers from owning legal firms.

The reorganisation would create a structure giving investors a slice of the law firm's revenues without breaking traditional ownership rules, according to people with knowledge of the matter. Such a move, by one of the world's largest law firms by revenue, could set a precedent for others in an industry that — in the US — has been impervious to outside investment.

Zach Coleman, son of the firm's chair Ira Coleman, joined McDermott from private equity and venture capital group Odyssey Investment Partners in July and had been sounding out bankers, advisers and private equity executives about the idea, the people said.

However, no agreement had been finalised and no commitments had been made, the people cautioned, with some saying it was at an exploratory stage.

The younger Coleman is considering a model in which some of the revenues lawyers generate would be used to buy services from a separate entity where outside investors could own a stake. It is similar to models that have been used to prise open medical practices and accounting firms to private equity ownership in recent years.

"As one of the fastest-growing, most successful modern law firms, we are constantly approached and we always listen to new ideas," Ira Coleman told the Financial Times. "We're excited to learn from other leading organisations as we challenge the status quo."

The Chicago firm, formed in a merger of McDermott Will & Emery and Schulte Roth & Zabel this year, has \$3bn in revenues, it said in August. That would put it in the top 20 firms globally by revenue.

No large firm has adopted the structure under consideration and opponents believe it could breach ethics rules that keep commercial considerations out of the provision of legal advice.

Rules set by the American Bar Association that ban non-lawyer ownership of US firms are being questioned after some firms, such as Arista, have explicitly licensed alternative business structures that can include private equity control.

Criminals are leveraging the trust and reputation of our brand to lure users into phishing attacks

Gmail and YouTube, as well as others including the New York City government or the US Postal Service.

Google hopes to win a judgment under US racketeering and computer fraud laws to allow it to work with cellular networks and companies that host websites to take down the domains and servers underpinning the operation.

"Criminals are leveraging the trust and reputation of our brand to lure users into unsafe phishing attacks," general counsel Halimah Delaine Prado told the Financial Times. "The ability to put our engineers and lawyers to work to actually fight on behalf of those users is a necessary thing to do."

The China-based "Lighthouse Enterprise" uses online forums, YouTube channels and the messaging app Telegram to market its services and plan

Cheap and abundant electricity gives Beijing an edge in AI race

BUSINESS INSIGHT
TECHNOLOGY
June Yoon



China is going to win the artificial intelligence race, says Jensen Huang. At first glance, it is easy to assume Nvidia's billionaire founder is just talking his book. Nvidia does stand to gain the most from any narrative that encourages the US to step up its investment in AI or ease regulatory restrictions on its development, thus boosting demand for Nvidia chips. But does he have a point?

Not long ago, about a fifth of Nvidia's data centre revenue came from China. Its fortunes depend on a steady stream of chip orders from governments, cloud providers and AI research labs around the world. The fear of China pulling ahead in AI reinforces that demand.

Still, Huang's warning may hold some truth. AI development has started shifting from being limited primarily by high-end chip availability to being constrained by electricity supply.

A GPT-4 model can use up to 463,269 megawatt-hours of electricity a year, according to research by academics at the University of Rhode Island, University of Tunis and Providence College. That is more than the annual energy consumption of 35,000 US homes. This demand reflects the expanding share of AI workloads in data centre electricity consumption. Global use of electricity by data centres is projected to more

than double by 2050, and will reach about 1,800 terawatt-hours by 2040, enough to power 150m US homes for a year, according to Bystad Energy.

As a result, the price and availability of power will increasingly determine the pace of AI progress. Here, China has a head start. Last year, it added a record amount of renewable energy capacity, mostly from new solar and wind installations. Solar power alone expanded by about 277 gigawatts, while wind contributed about 80GW, bringing total new renewable capacity to more than 356GW, far exceeding total capacity in the US.

This renewable surge is part of a bigger plan. Beijing has linked industrial policy to its efforts to reinforce the national grid, developing large solar projects in Inner Mongolia, expanding hydropower in Sichuan and building high-voltage transmission lines to move cheaper inland electricity to coastal demand centres.

Local authorities are also granting preferential electricity rates to companies such as Alibaba, Tencent and ByteDance to boost local AI computing. These subsidies help it to offset the lower efficiency of domestic chips from Huawei, allowing China to train AI models at a lower overall cost.

Meanwhile, in the US, wholesale electricity costs have been rising, with prices about as much as 267 per cent higher than five years ago in areas near data centres. But investment in many types of renewable projects, including large-scale wind and solar, fell in the US during the first half of the year, reflecting policy shifts and regulatory uncertainty. The White House has also

US wholesale energy costs have been rising, with prices as much as 267% higher than five years ago in areas near data centres

detailed an executive order ending subsidies for wind and solar power.

Some argue that China's energy advantage cannot fully compensate for its lag in chips and models. Indeed, Nvidia's H100 and Blackwell graphics processing units remain ahead of Chinese alternatives such as Huawei's Ascend 910B in terms of memory bandwidth and performance.

That imbalance would have been critical in the hardware-dominated phase of technological competition, when access to advanced chips powering computers and smartphones determined who led entire industries. The US, for example, curbed Huawei's ascent by restricting its supply of high-end chips starting in 2019.

Yet the difference today is that energy has now started to scale faster than transistors: chip performance gains have slowed to single digits while China's renewable generation continues to expand at double-digit rates each year. Declining electricity costs expand the amount of computation that can be purchased for the same budget, and expanding grid capacity allows models to be trained more frequently for longer durations.

The race to master AI is new but it is part of a centuries-old story. Throughout history, every technological superpower has risen on the back of cheap energy. Cheap, abundant, carbon-powered Britain's Industrial Revolution. In the US, oil and hydroelectric power fuelled its dominance in manufacturing and military technology in the 20th century. The battle to control AI is often framed as a contest for chips and the controls that govern them. But power will belong to those who can keep the AI models running.

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COMPANIES & MARKETS

Fiserv unravels after ill-fated decisions on strategy

US fintech's new leadership sets out to reset corporate culture, lift sales and start to regain \$30bn in lost market value

JOSHUA FRANKLIN AND
JAMES FONTANELLA-KHAN — NEW YORK
ALEX ROGERS — WASHINGTON

When Donald Trump nominated Fiserv chief executive Frank Bisignano to serve in his administration 11 months ago, his company was held up as a Wall Street fintech darling alongside the likes of Visa and Mastercard.

Now the business Bisignano helped build is in freefall.

Shares of Fiserv, which runs back-end technology for banks and payment networks, fell 44 per cent and lost \$30bn in market value after disastrous third-quarter results. The company disclosed several problems that had been festering for years and analysts described the earnings as “shocking” and “impossible to sugarcoat”.

But Bisignano had already cashed out, selling 5.3mn Fiserv shares for more than \$500mn at the time of his Senate confirmation in May, and deferring taxes on the gains. Today, the shares would fetch about \$220mn.

Now questions are being raised about the company's management under the leadership of Bisignano, who has been tapped by Trump to manage two crucial government financial operations — the Internal Revenue Service and the Social Security Administration. One collects more than \$5tn in annual tax revenue and the other makes more than \$1.6tn in yearly payments to senior citizens.

“To see a company that 12 months ago had a sterling reputation fall off like this and finish the day down 44 per cent, it is the most shocking earnings print I’ve had in my time covering the space,” Deutsche Bank analyst Nate Svensson said.

New Fiserv chief executive Mike Lyons, in the job since Bisignano's resignation in May, said an analysis had revealed ill-fated decisions to defer investments and cut costs, as well as a reliance on short-term initiatives to maximise quarterly results.

“As a result, we have made the decision to deprioritise the short-term revenue and expense initiatives which, of course, has some near-term impact on



Questions are being raised about Fiserv's management under former chief Frank Bisignano, pictured in the Oval Office with President Donald Trump, in whose administration he now serves

Not for attribution

our growth and profitability,” Lyons said.

The company is now facing shareholder lawsuits alleging it misled investors. Fiserv declined to comment. Bisignano did not respond to requests for comment.

Wisconsin-based Fiserv was founded in 1984. The company as it is today is the result of a merger between Fiserv and First Data, where Bisignano was the chief executive.

The deal brought together Fiserv's sticky but low growth core banking system business with First Data's higher-growth merchant solutions business, which provided payment processing systems such as credit card readers for

small and large businesses as well as commerce services.

Before Fiserv and First Data, Bisignano was a top executive at JPMorgan Chase, reporting to chief Jamie Dimon. Internally, he earned a reputation as a savvy operator but also someone who could blur the lines between company matters and his personal life.

Bisignano was known to invite family and friends to the corporate box at MetLife Stadium to watch the New York Giants NFL team, even when he was not in attendance, and for his frequent use of the company's private plane, according to executives who worked with him at the time.

His relationship with Dimon eventu-

ally soured, according to people familiar with the matter, and he left JPMorgan to join First Data in 2013. In 2017, his pay there reached \$100mn. JPMorgan declined to comment.

Bisignano took over the combined Fiserv/First Data company in 2020. It emerged as an industry winner, outperforming rivals such as FIS and GPN. Fiserv's standout business was its Clover point-of-sale payments terminals.

Bisignano and his wife Tracy were significant donors to Trump's 2020 and 2024 presidential campaigns before he was recruited to run the social security programme and take the newly created role of IRS chief executive reporting to Treasury secretary Scott Bessent. The

Treasury did not respond to requests for comment.

In October 2024, a few weeks before election day, Tracy Bisignano gave \$924,600 to the Trump 47 Committee, the maximum an individual could give to the joint fundraising Pac, and nearly \$800,000 split between the Republican National Committee and dozens of local Republican party groups.

At Fiserv, the image of a stable business with solid growth potential has been shattered. The company widely missed analysts' estimates in quarterly

“To see a company that 12 months ago had a sterling reputation fall off like this is shocking”

results and slashed its outlook for organic revenue growth in 2025 from 10 per cent to as low as 3.5 per cent.

Lyons detailed that its business in Argentina, which has been supported by the country's high interest rates and hyperinflation, had been a bigger driver of growth than investors previously believed. He talked about reversing price increases that the prior leadership had made and a need to “overhaul” the client experience for its Clover product.

“At Fiserv there was a lot of restructuring, a lot of cost takeout. I don't think there was investment in places that needed investment,” said Ali Raza, managing principal at Blue Leviathan, a consulting firm focused on payments. “So we have what we have now.”

Lyons is now tasked with turning the company around. He has put in place a new chief financial officer, three new board members and new co-presidents.

He has talked about resetting its culture to one that prioritises integrity, fairness, execution, accountability and client service, changes that will take time to implement.

“Leaving aside what's happening with the financials,” said Svensson, “that is not something you can wave the magic wand and fix overnight.”

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Pharmaceuticals

Regulator resists NHS drug price calls

Nice chief says budget should not rise despite industry and US push

ANNA GROSS, HANNAH KUCHLER AND ANNU ADEJOYE

The NHS budget for medicines should not rise with inflation, the head of England's drug approval body has said, despite ministers offering to increase spending to appease pharmaceutical companies and US President Donald Trump.

Sam Roberts, chief executive of the National Institute for Health and Care Excellence (Nice), said yesterday that

the equation used to calculate how much the government spent on drugs "doesn't increase with inflation because your pool of money doesn't increase with inflation, it's driven by taxes."

"It's not like the US or other countries where you can just increase your insurance premiums. You can't increase tax easily," she told the Financial Times Global Pharma and Biotech Summit.

The comments by Roberts come after officials said ministers looked set to concede to some of the drugmakers' demands to lift the value at which a medicine is considered cost-effective enough to be made available on the NHS, partly in response to the US president's threatened tariffs on the sector.

Roberts said Nice, an arm's-length body of the government, was "very sympathetic to the fact that the UK is a tough commercial environment and the global commercial environment for pharmaceuticals has changed in ways none of us fully expected 18 months ago".

But, she added, there were "only so many taxpayer pounds. If you spend more money on medicines, it means something else is forgone. It could be health replacement, it could be a nurse."

The government has proposed increasing the NHS's cost-effectiveness measure for drugs by about 25 per cent in recent talks with the US, according to people familiar with the matter, after it

stayed at the same level for 25 years. Despite this concession, the industry has been lobbying for a commitment that the "quality-adjusted life year" – which tracks the cost of a treatment for every healthy year it delivers for a patient – would not become stuck again.

Nice uses the value of a QALY when deciding whether to recommend a new drug. Its upper threshold is £30,000 per QALY.

Drugmakers, including MSD, Eli Lilly and AstraZeneca, have scrapped or paused investments in research and development in the UK in recent months, hitting out at lower drug prices compared with international peers.

Meanwhile, Trump has threatened to impose tariffs on the sector and has rallied against European countries "free-loading" on American innovation while the US pays much higher drug prices.

Roberts conceded that it could make sense for the government to increase the value of a QALY, without increasing it in line with inflation, by incorporating the need to promote investment into Britain in its value equation.

"We used to have a world in which... all we were thinking about is 'we need to get the most health per pound spent'," she said, but now "we're going to optimise for a combination of most health per pound spent plus inward investment."

Retail

M&S bolsters its board with role for BA chief Doyle

PHILIP STAFFORD
RETAIL CORRESPONDENT

Marks and Spencer has appointed the boss of British Airways to its board 18 months after the retailer's chair hitting out at what he saw as the airline's declining service.

Sean Doyle will become a non-executive director on December 1 amid a push by M&S to win market share in its food and fashion businesses and boost profits.

The retailer said Doyle "represents an iconic British brand with extraordinary public exposure".

The appointment comes after Archie Norman complained on X in May 2024 that several of his BA flights had been cancelled, commenting that it was "sad to see a great airline deteriorate". The posts were later deleted.

In a light-hearted follow-up, Norman said yesterday: "I'm glad to say there has been an improvement in punctuality in the flights to Glasgow since that episode. Having Sean on our board means that I will not need to go through X to make my views known – and I'm sure there's other ways we can learn from each other about customer service".

In 2017, BA started selling M&S food to economy passengers on short-haul flights after ending free meals. It switched to chef Tom Kerridge's products four years later.

Doyle will join another heavyweight retailer, former Asda chief executive Roger Burnley, on the M&S board from next month.

Doyle said leading Britain's flag carrier was a "very special job... not many brands can equal that, but M&S certainly can".

BA is owned by IAG, the FTSE 100 group that also owns Iberia and Aer Lingus – the airline Doyle previously ran.

Norman, one of the UK's most respected retail leaders, and CEO Stuart Machin have been credited with turning around M&S after years of decline.

M&S is also recovering from a cyber attack this year that left it unable to sell clothes and furniture online for seven weeks.

Last month, Norman committed to remaining as chair until 2029, taking his term to 12 years – far beyond UK guidelines that recommend a chair should only serve for nine years.



Crypto alarm Kraken says FCA ad rules deter users

Arjun Sethi, Kraken co-chief executive seen here at a summit in Washington last month, said UK customers risked missing out because of cumbersome disclosures – Paul Hogg/Getty Images

The head of crypto exchange Kraken has hit out at UK rules on the promotion of digital financial assets, arguing that they hinder retail investors by slowing down the movement of funds.

Arjun Sethi, co-chief executive, told the Financial Times: "In the UK today, if you go to any crypto website, including Kraken's, you see the equivalent to a cigarette box [warning] – 'use this and you're going to die'".

He added: "Because of the speed at which they had to do the transaction, it's worse for consumers. Disclosures are important... but if there are 14 steps, it's worse."

Sethi's comments mark the first major criticism of the UK's approach since the Financial Conduct Authority introduced financial promotion rules in late 2023.

Companies marketing their crypto services in the UK must comply with the rules. They involve posting clear risk warnings on their website and apps, banning incentives to invest, creating "positive frictions" and making users fill out "appropriateness assessments" to check whether they

understand the risks of buying crypto. Some customers may also be deterred from investing in crypto at all, therefore missing out on potential gains, Sethi said.

The FCA said its rules ensured that customers understood the benefits and risks of investing in crypto. "Customers must answer questions before a firm makes a financial promotion to them, but this is not required every time a customer makes a trade, so should not

'On any crypto website you see the equivalent to a cigarette [warning] – use this and you're going to die'

generally prevent them acting where they want to.

"Some consumers may make an informed decision that investing in crypto is not right for them – that is our rules working as intended."

The UK regulator has long come under fire from digital asset executives for taking an overly cautious approach to the industry.

British regulators have faced calls to be more accommodating to crypto this year after the US under President Donald Trump has embraced the industry.

The FCA last month sued HTX for failure to comply with the financial promotions rules. The crypto exchange is linked to Justin Sun, a China-born billionaire who has invested millions of dollars in Trump's digital asset ventures.

Kraken was founded in 2011 and is one of the world's 15 biggest exchanges by trading volumes.

Sethi has co-led Kraken since October 2024 alongside David Ripley, and also chairs Silicon Valley venture capital firm Tribe Capital. He said stricter UK rules and consumer protection efforts meant Kraken users in Britain could not

access about three-quarters of the crypto products available to those in the US, such as earning more yield and lending through decentralised finance protocols.

Kraken is also preparing to list in New York, although Sethi declined to comment on timing. Niloo Asgari

Utilities

SSE to raise £2bn of equity in expanded £33bn power networks plan

RACHEL MILLARD

SSE is seeking to raise £2bn in fresh equity to help fund a £33bn investment plan aimed mainly at upgrading and expanding electricity networks across Britain by the end of the decade.

The FTSE 100 energy company plans to invest about £22bn in the high-voltage electricity network in Scotland and about £5bn in lower-voltage networks in Scotland and southern England.

The remaining £6bn will go towards projects such as the giant Dogger Bank offshore wind farm that SSE is building off the north-east coast of England.

The plan, unveiled yesterday, represents a significant increase on SSE's previous strategy to invest £17.5bn by 2027.

The company's shares climbed nearly 17 per cent yesterday to £23.07.

As well as the £2bn equity raise, the investment will be funded by about £2.1bn of cash flow from its existing power stations and electricity networks. SSE also expects about a £14bn increase in adjusted net debt and hybrid capital, and to raise £2bn through asset sales.

The proposals are in line with the government's plan to decarbonise the power sector by 2030, which will require massive investment in electricity networks to move power from wind farms in remote parts of Scotland.

Pibworth said upgrading the electricity grid now was 'more affordable than it will be in five or 10 years'

Fellow electricity network owner National Grid raised £7bn in a rights issue in 2024 also to help fund upgrades, its largest equity raise.

But the massive investment needed has triggered concern about the impact on consumer electricity bills at a time when the government has pledged to bring them down by 2030. Executives at companies including Octopus Energy last month warned that retail electricity prices would rise over the next few years even if wholesale prices fell, due to costs including network upgrades.

Martin Pibworth, who took over as SSE chief executive in July, has pushed back against the suggestion that the scale of network investment should be reviewed. He said on LinkedIn last month that upgrading the grid now was "more affordable than it will be in five or 10 years".

Announcing the investment plans, Pibworth said they were "built on a once-in-a-generation opportunity to upgrade the UK electricity network" and would unlock economic growth.

SSE is one of the UK's largest energy groups, owning and developing electricity networks in Scotland and England as well as wind farms and gas-fired power stations. It also supplies energy in Northern Ireland and Ireland through its subsidiary, SSE Airtricity.

In half-year results for the six months to September 30, announced yesterday, SSE reported a 31 per cent lift in pre-tax profit of £58.5m compared with the same period last year.

That was partly because of a fall in profits at its renewable energy division caused by factors such as lower rainfall denting output at its hydropower stations and lighter wind speeds affecting an increase in its wind farm capacity.

Technology

Fluidstack joins Anthropic data centre push

GEORGE HAMMOND – SAN FRANCISCO

Anthropic plans to invest \$50bn in artificial intelligence infrastructure in the US, working with UK cloud computing start-up Fluidstack as it races to secure new computing power.

The Claude chatbot maker said yesterday it would develop new data centres in New York and Texas with Fluidstack. The sites will bolster Anthropic's research and development as well as providing power for its existing AI tools.

"We're getting closer to AI that can accelerate scientific discovery and help solve complex problems in ways that weren't possible before. Realising that potential requires infrastructure that can support continued development at the frontier," said Dario Amodei, chief executive and co-founder of Anthropic.

Its latest plans involve it working with Fluidstack, a small start-up that this year signed a deal with the French government to build a computing cluster in France. Anthropic said it chose the company for "exceptional agility".

"We're proud to partner with frontier AI leaders like Anthropic to accelerate and deploy the infrastructure necessary to realise their vision," Gary Wu, chief executive and chief executive of Fluidstack, said.

The Anthropic investment follows a

'We're proud to partner with frontier AI leaders like Anthropic to deploy necessary infrastructure'

flurry of deals by the company's chief rival OpenAI to secure chips and computing capacity from Nvidia, AMD, Broadcom, Oracle and Google, estimated to amount to about \$1.5tn.

The circular arrangements between companies that act as suppliers, investors and customers of each other, combined with booming AI valuations, have added to concerns about a bubble in the sector.

Anthropic has also moved to boost its

computing power this year. Last month, the four-year-old start-up signed a deal to secure access to 1mn Google Cloud chips to train and run its AI models.

The San Francisco-based group also has a partnership with Amazon, which is the start-up's "primary" cloud provider and a large investor. It has invested \$8bn in Anthropic and is building a 2.6GW data centre cluster in New Carlisle, Indiana, to help train its AI models.

Anthropic, which was recently valued at \$185bn post-open, was founded by a group of former OpenAI employees. While OpenAI has focused largely on its consumer product ChatGPT, Anthropic has targeted enterprise customers.

The group's run-rate revenue – a projection of annual revenue based on recent performance, which is favoured by start-ups – shot from \$1bn at the start of the year to \$7bn last month.

In September, the company raised \$13bn from investors including Ioniq Capital and Lightspeed Venture Partners.

Technology

Bill outlines tougher rules on cyber security

KIERAN SMITH

Regulators are set to be given enhanced powers to fine companies for failing to comply with cyber security rules, as estimates suggest attacks cost the economy almost £15bn each year.

The cyber security and resilience bill includes measures that would give sector regulators the power to fine certain companies up to 4 per cent of their annual turnover, or £17m if that is larger, if they fail to comply with the rules. These include a requirement to report cyber attacks within 24 hours and to prepare properly for breaches.

The fines would expand existing rules under the Network and Information Systems 2018 regulations, which allow £17m fines to be levied, and come in addition to rules that allow the Information Commissioner's Office to levy similar penalties for breaches of the 2018 Data Protection Act.

The decision follows warnings from ministers and the National Cyber Security Centre last month that chief

executives who failed to prepare their companies for cyber attacks were "jeopardising their business's future", with research from KPMG estimating the cost of significant cyber attacks has reached £14.7bn across the economy.

The bill, introduced in parliament

'We encourage companies... to think about what they need to do in terms of cyber resilience'

yesterday, seeks to update the scope of companies covered by cyber regulations from those in the transport, energy, drinking water, health and digital infrastructure sectors to include those in sectors such as healthcare, IT services and data centres.

It would also force regulated companies to report significant attacks to the NCSC within 24 hours and deliver an incident report within 72 hours.

Regulated companies would also have

to meet measures based on the NCSC Cyber Assessment Framework, which sets out various principles such as protecting data and staff training.

Should companies fail to do this, the legislation would give regulators the power to levy fines on organisations, with officials judging the measures as "fair" as a "last resort", according to a parliamentary statement.

However, the rules would not include retailers or other companies not deemed critical infrastructure, meaning groups such as Jaguar Land Rover, M&S and Co-op, which all suffered recent high-profile cyber attacks, would not be within the scope of the legislation.

"We don't seek to regulate to this degree the whole of the economy," said Baroness Liz Lloyd, minister for the digital economy.

"We also encourage all companies to do more or to think about what they need to do in terms of cyber resilience, and that their boards have that conversation and that it is appropriate to them," she added.

Equities. Asset growth

Elliott seeks to reassure investors as long-term returns lag behind Wall St



Large scale of Singer's hedge fund stirs fears its size is now a barrier to strong performance

COSTAS MOURSELAS — LONDON

Elliott Management, the US hedge fund founded by billionaire Paul Singer, has sought to reassure investors that its vast size has not become an obstacle as its returns lag behind those of Wall Street stock markets.

In its latest quarterly letter to investors, seen by the Financial Times, the firm said its \$78bn in assets raised the “inevitable question” of whether its scale had become a drag on performance.

The firm added that it viewed its large size as an advantage and that “any shortfall in returns” was a result of mistakes, problems with hedges or issues with the market but “not the size of the fund”, the firm added.

However, Elliott said in the letter that it would seek to shed assets if it thought that its size had become a barrier to strong returns.

Elliott declined to comment. The letter also showed Elliott gained 4.7 per cent net of fees in the first nine months of the year compared with a 15 per cent total return for the S&P 500.

The fund's net annualised return since 1994, the year its Cayman Islands

entity was founded, has now fallen behind that of the S&P 500 index including reinvested dividends for the first time in more than 20 years — a comparison regularly tracked by the firm in its communications with investors.

However, performance since the firm was founded in 1977 is still ahead of the S&P 500 and its returns come with much lower volatility than the Wall Street equity benchmark, a feature coveted by some hedge fund investors.

The firm was up about 11 per cent last year, according to another letter. Assets at Elliott have almost doubled over the past five years, prompting the firm to adjust its investment strategy to focus on larger targets and push deeper into areas such as private equity deal-making.

Some investors worry that its growing size is holding back performance.

“The problem is that we are so big that to produce [returns] like they did in the past, their playbook has to work on such a different scale,” said one large investor in the hedge fund.

One person familiar with the fund said it had addressed the question of size in quarterly letters to investors on at least 15 occasions across the past five decades and that it had consistently seen it as a benefit.

Elliott has long been one of the most feared activist investors, taking on company boards to implement changes

that it sees as favourable to shareholders.

Most recently it has bought stakes in Pepsi, BP and Southwest Airlines and agitated for change.

As it has grown, the firm has had to take bigger positions, making it tougher to invest in smaller businesses. This in turn meant its potential targets were much better covered by Wall Street analysts and closely monitored by investors, making it harder to spot opportunities before other market participants did, said one major Wall Street hedge fund analyst.

Larger companies are also likelier to be able to hire top defence teams to advise them, a luxury that smaller companies often cannot afford.

“The bigger you get, the more you narrow your opportunities,” he said.

A person familiar with the fund said that Elliott still had the flexibility to invest in smaller companies as an activist.

For example, Elliott has recently invested in payments company Bill Holdings and drug research firm Charles River Lab earlier this year.

The person added that Elliott's job was not to spot opportunities that others had but to make the changes that improved a company's performance.

Elliott aims to offer investors more steady returns compared with higher-octane hedge funds with founder Singer often saying that his

Bigger Apple: New York's stock market has now outperformed the returns of Elliott Management since 1994 after taking account of the figures from this year
Chris Dill/Getty Images

“If Paul had just invested his own money in the S&P 500 since 1994, he would not be as wealthy as he is today running Elliott”

focus is to never lose his investors' money.

Elliott has long warned that the US stock market is frothy, driven by AI stocks that would struggle to justify sky-high valuations.

But a second investor in the fund said it might find it harder to justify its fees given performance over the past three decades had fallen behind that of the S&P 500.

“There is not much else to say about that other than the fees hurt,” he said. “If Paul had just invested his own money [in the S&P 500] since 1994, I think we would all agree he would not be as wealthy as he is today running Elliott.”

Elliott is one of the world's largest hedge funds, alongside industry behemoths such as Citadel and Millennium, which manage \$69bn and \$81bn in investor assets, respectively.

In addition to the public equity activism for which it is well known, it invests in distressed securities as well as less risky debt, private equity and credit, and commodities.

It waged a 15-year battle to force the Argentine government to pay out on its defaulted debt, which came good in 2016 in what is widely seen as one of the greatest hedge fund trades.

Elliott is in the middle of fundraising for a \$7bn drawdown fund, which will allow it to call investors for capital when opportunities arise, Bloomberg reported last month.

Financials

Tariffs spur Buffett-backed Marubeni to shift away from trading

HARRY DEMPSEY AND ALEX BARKER
TOKYO

The head of Warren Buffett-backed Marubeni has said it is “no longer a trading company” as tariffs accelerate the Japanese group's shift to investments that are insulated from global trade.

Masayuki Omoto, who became chief executive of the Japanese trading house in April, said a long-term shift towards a polarised global order, driven by US President Donald Trump's tariffs, would lead to an even stronger focus on businesses that operated within individual countries and regions.

“We are no longer a trading company,” he told the Financial Times. “Most of our businesses are actually businesses inside each country.”

The investment strategy is a shift for Marubeni. Founded as a linen trader in 1858, it played a central role in Japan's postwar economic revival by securing resources through investments in fossil fuel projects, mines and port infrastructure while marketing the nation's manufactured goods to the world.

Like Japan's other trading houses, Marubeni stepped outside resources to invest in assets that often lacked clear synergies with trading activities.

The shift was further spurred by losses from a commodity price slump in

“Whenever we start investing, we don't ask whether or not this is incrementally helpful”

2015. Marubeni retrenched from grain trading in 2022 with the \$3bn sale of Gavilan, a botched acquisition from 2013 that led to a string of writedowns.

In the past five years, the portion of profits from non-resources sectors has risen across most of Japan's *sogo shohu*.

At Marubeni, it comprised 74 per cent of its adjusted net profit of ¥220bn (\$1.4bn) in the quarter to the end of September.

Investments include offshore wind farms and car dealers in the UK, a top-three automotive fleet management business in the US and the dominant tyre maintenance provider in Thailand.

“Whenever we start investing, we don't ask a question whether or not this is incrementally helpful to our trading,” said Omoto.

Marubeni's chief hopes to model its capital allocation strategy after those of Berkshire Hathaway, Hitachi and Danaher to reach a ¥10tn market capitalisation, up from ¥6.5tn at present, but admitted that there was still a “gap” with those industrial conglomerates.

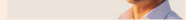
Berkshire is Marubeni's largest investor with a 9.5 per cent stake.

Trump's presidency had not dimmed Marubeni's optimism for the US market, said Omoto, who called it the only developed economy that can “provide reasonable prospective growth”.

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Reality bites at COP30 as governments struggle to meet climate challenge

MORAL MONEY
Simon Mundy



Last week, HSBC became the latest large company to scale back its climate pledges. The UK's biggest bank diluted its targets to reduce emissions linked to its financing of a swath of carbon-intensive industries, including oil and gas and cement.

Like other big businesses that have made similar moves, HSBC insisted that the decision was not due to any weakened concern about climate change on its own part.

Rather, it said, this was a necessary response to “a global landscape that has shifted markedly, making the pace of transition more uneven”.

In other words, world governments have fallen far short of the kind of ambitious action that was anticipated four or five years ago when many of the loftiest corporate climate promises were made.

This will sound to many like a convenient excuse. But the COP30 summit, which began this week in the Brazilian city of Belém, is underscoring how

governments are struggling to rise to the climate challenge.

UN Climate Change head Simon Stiell did his best to strike a hopeful note as he kicked off this week's summit.

“We are now bending the curve of planet-heating emissions downwards — for the very first time,” he told Monday's opening plenary.

He was referring to the latest “nationally determined contributions” — the regularly updated climate commitments required of signatories to the Paris Agreement.

Most parties to the pact have now published their NDCs for 2035 — which oil and gas companies have

promise aggregate carbon emission reductions of 12 per cent from 2019 levels. “That's a big deal,” Stiell said.

A sustained reduction of any sort would be a historic shift. With the exception of a Covid-driven blip in 2020, global greenhouse gas emissions have been rising steadily in the decade since the Paris deal was sealed, increasing 2.5 per cent last year, according to the UN Environment Programme.

But the 12 per cent reduction by 2035 that Stiell hailed is a far cry from what would be needed to meet the Paris temperature goals.

The Intergovernmental Panel on Cli-

mate Change estimated that emissions would need to fall more than a third from 2019 levels by 2035 for a strong chance of limiting global warming to 2C — and by more than half for the more ambitious target of 1.5C.

Even the new 12 per cent figure, which reflects pledges from 115 governments accounting for 68 per cent of global emissions, looks decidedly optimistic.

It does not take into account the plans of more than 80 countries (such as India, Iran and Saudi Arabia) that have still failed to publish their NDCs — and are unlikely to make the aggregate emissions number look more impressive when they do.

It does, on the other hand, include the now-defunct NDC published by the administration of former US president Joe Biden.

It was abandoned as his successor, President Donald Trump, pulled the country out of the Paris framework.

Most obviously, the figure reflects what governments are targeting, not what they will necessarily achieve.

Few would argue, then, with the assessment of IPCC head Jim Skea, who bluntly told the plenary hall “it is now almost inevitable that 1.5C of global warming will be exceeded in the near term”.

True, some are still paying lip service to the 1.5C goal — including Brazilian President Luiz Inácio Lula da Silva.

The target is being strongly defended in Belém by the Alliance of Small Island States — some of which could cease to exist in a recognisable form if the target is significantly overshot, thanks to rising sea levels.

But compared with previous COPs, there is a notably stronger focus on the need to prepare for much higher temperatures.

A key question is how this dose of realism will feed through into negotiations.

“It is now almost inevitable that 1.5C of global warming will be exceeded in the near term”

In theory, it should add weight to the scheduled discussions on a new Global Goal on Adaptation, through which vulnerable developing nations want to secure pledges of financial support from wealthier ones.

Meanwhile, countries including South Africa are pushing for new contributions to a global Loss and Damage Fund, created under an agreement at COP27 in 2022, to fund recovery from climate-related disasters in developing countries.

This vehicle has so far received commitments of about \$790m. On Monday, it made its first call for funding

proposals, offering payments from an initial pool of \$250m.

The heightened focus on rising climate risks will test how far negotiators at COP30 can walk and chew gum at the same time — that is, push for progress on emissions reduction even as they step up action on climate adaptation.

Despite Brazil's plans to expand oil and gas production, Lula is pushing for COP30 to deliver a more detailed “road map” on a global transition away from fossil fuels, following the broader commitment made at COP28 in Dubai two years ago.

Tough discussions are also needed on how to meet the targets set at recent COPs of tripling global renewable energy capacity by 2030, and mobilising \$1.3tn a year in climate finance for developing nations.

All these targets have become harder to meet thanks to the Trump administration's reputation of COP process and its objectives.

Over the next 10 days, we will learn how far the world's other governments are willing to keep trying.

For companies still trying to decide on their own approach to climate change and the energy transition, this will offer an important signal.

A version of this article first appeared in the FT.com newsletter. Sign up at [ft.com/newsletters](#)



UN climate chief Simon Stiell at the COP30 summit — *Samuel L. Johnson*

Traders must pay heed to squeeze on affordability

Mohamed El-Erian

Markets Insight

As elections, no word may capture the American public's anxiety more completely than "affordability".

As in other countries, the worries are amplified by media coverage of a simple and convenient antagonist – prices.

It is a dynamic that market participants will need to pay attention to as the challenges of affordability are set to accelerate, especially as employees worry about workplace changes related to artificial intelligence.

Political pressure will demand policy responses that will also impact markets. The focus on prices is understandable. The inflationary surge of 2021-22 was a major shock that made the cost of staples, such as groceries and utilities, a source of pain.

For politicians, fighting the cost of living became a clear, concise and compelling battle cry, for lots of finger pointing, be it government spending, central bank policy or "corporate greed".

The anger of voters was reinforced by the disconnect between what they then heard (inflation is coming down) and what they expected to see (lower prices as opposed to a lower rate of price rises). Yet this focus on prices as a metric of affordability is far from sufficient. It ignores a critical component – what people earn. And it is income that is now under greater pressure, exposing the fragile financial foundation of too many households.

In previous decades, the "affordability crisis" was a slow-moving, structural problem, masked by low overall inflation. The problem was not in the price of groceries was increasing in a shocking manner but that the costs of the core

components of a middle-class life – housing, education and healthcare – were rising in a consistent fashion to worrisome levels.

The inflation surge of 2021-22 turned a chronic condition into a potentially more acute one. Its immediate impact on purchasing power was offset first by government income transfers and, second, by rapidly increasing wages, particularly for lower-income households.

That income boost is fading – as illustrated by data showing not only lower earnings growth but more vulnerable lower-income households as significant legacies.

No wonder the Trump administration has been focused on ensuring lower

Failure to tackle it would risk economic instability, social fracture and political polarisation

costs for energy, pharmaceuticals and mortgages in particular. Yet income anxiety is increasing due to insecurities associated with the impact of AI on the workplace and the increase in lay-offs – as reported last week by outsourcing firm Challenger, Gray & Christmas.

And affordability is not just about real metrics; it is also about perceived stability. It is particularly unsettling for households when they feel like they are running on a treadmill, working harder just to risk falling behind.

This "vibecession", where the lived experience of economic insecurity overrides positive macroeconomic headlines, was problematic for the Biden administration. Households also tend to

judge themselves against others with today's uneven economy fuelling a greater feeling of "relative deprivation". This undermines the implicit social contract built on a promise of upward mobility – work hard, your children will be better off than you were and you have a shot at the American dream.

And when a society transitions from a state of collective aspiration to one of insecurity, the political implications can be consequential. It can fuel a sense of cynicism and distrust in the political establishment and big corporations.

Viewed through this lens, it becomes clear the affordability crisis will not be solved simply by bringing inflation down from 5 per cent to the US Federal Reserve's target of 2 per cent. What is required is an approach that also addresses the income side of the standard of living calculus in a sustainable, inclusive and forward-looking manner.

This is partly about a more comprehensive policy emphasis on traditional drivers of growth, such as infrastructure and deregulation. But policymakers also must seek to ensure that the diffusion of the exciting labour-enhancing promise of AI is not overshadowed by its labour-displacing aspects.

It is a joint responsibility of governments, corporates and households that is yet to attract the needed attention.

Until this happens, affordability will be even more of a central issue. Failure to tackle it would risk economic instability, social fracture and political polarisation while constraining AI's potential to lift productivity and growth.

Mohamed El-Erian is the Rene M Kern professor at Wharton School, chief economic adviser at Allianz and chair of Grumery Fund Management



The day in the markets

What you need to know

- Third successive day of gains recorded by European equity indices
- Talk of leadership challenge to Starmer leads to retreat for sterling and gilts
- Wall Street tech groups decline ahead of crucial government shutdown vote

European stocks climbed to record highs yesterday as a rally on Wall Street took a breather ahead of a crucial vote on the federal government shutdown.

The region-wide Stoxx Europe 600 index gained 0.7 per cent while Paris's Cac 40 rose 1 per cent, both recording fresh highs.

Frankfurt's Xetra Dax index climbed 1.2 per cent but London's FTSE 100 underperformed, rising only 0.1 per cent.

The rally marked the third successive day of rises in the region. It came as Goldman Sachs said it expected returns from European and Asian equities to outperform those from US stocks over the coming decade.

The euro advanced 0.1 per cent against the dollar to \$1.1590. Yields on 10-year German Bunds fell 1 basis point to 2.65 per cent amid modest buying.

In the UK, talk of a potential leadership challenge to Prime Minister Sir Keir Starmer caused the pound to weaken slightly, adding to its small decline in the wake of Tuesday's weak economic data.

It dipped 0.1 per cent against the dollar to \$1.3460 and the dollar was flat against the euro at €0.8840 before recovering slightly.

The political noise was a "further negative" for sterling, which "already has enough negative news from the tighter

European equities rally to record highs

Indices rebounded



fiscal/looser monetary policy story to keep it weak", said Chris Turner, global head of markets and regional head of research for the UK and central and eastern Europe at ING.

Gilts also fell slightly, underperforming US Treasuries. Yields on 10-year gilts rose 1bp to 4.40 per cent amid some selling.

Yields on 10-year Treasuries fell 5bp to 4.00 per cent and the dollar was flat against a basket of major currencies.

Asian stocks rallied. Tokyo's Nikkei and Seoul's Kospi led the region, both climbing 1.1 per cent. Hong Kong's Hang Seng gained 0.9 per cent while the blue-

chip Nikkei 225 Average rose 0.4 per cent.

The yen fell to a nine-month low at ¥154.53 to the dollar while the Korean won fell to its lowest since April at Won1,468 per dollar.

In the US, the tech-heavy Nasdaq Composite was down 0.6 per cent by early afternoon in New York while the blue-chip S&P 500 was flat.

Gold firmed 17 per cent to \$4,796 a troy ounce, resuming this year's rally after a weeks-long lull. Brent crude oil retreated 3.8 per cent to \$62.70 a barrel.

Bitcoin slid 0.6 per cent to about \$102,000 per token. Rachel Rees

Markets update

	US	Europe	Japan	UK	China	Brazil
Stocks	S&P 500	Eurostoxx 500	Nikkei 225	FTSE 100	Shanghai Comp	Bovespa
Level	6856.11	2331.23	51063.31	9711.42	4000.14	15684.754
% change on day	0.14	0.77	0.43	0.12	-0.07	-0.57
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	99.47	1.159	154.745	1.313	7.11	5.301
% change on day	+0.03		0.04%	-0.342	-0.07	0.488
Yield bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year Bond	10-year Bond
Level	4.08	2.67	1.69	4.51	1.81	13.65
Base point change on day	-0.125	-0.108	0.001	-0.253	0.0184	0.00
World / Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LME)
Level	665.91	62.83	58.66	4177.00	53.45	4602.40
% change on day	+0.19	-3.58	-3.90	+1.71	+2.10	+0.18

Yesterday's close apart from Commodities: S&P 500: S&P 500; All-World: All-World; Oil: WTI; Gold: Gold; Silver: Silver; London gas: London gas.

Main equity markets



Biggest movers

	US	Eurozone	UK
Up			
Advanced Micro Devices	840	RWE	98
UnitedHealth	392	Infinion Technologies	692
Newmont Mining	375	Boyer	594
Delta Air Lines	353	Heidelberg Materials	538
Nucor	346	Norsk Hydro	332
Games Workshop	597		
Down			
Oracle	-34	E.ON	-359
SLB	-271	Wolters Kluwer CVA	-236
Meta Platforms	-21	ASM Int	-214
Halliburton	-21	Equinor	-181
Alphabet Cl A	-188	Wartsila	-175

Prices taken at 15:00 GMT 12/11/2025

Based on the constituents of the FTSE Eurozone 300 Europe

All data provided by ICE, www.ice.com

Financials

Private equity group Vista plans big cuts to its workforce in favour of AI

ASHLEY ARMSTRONG – LONDON
ANTOINETTE GARA – NEW YORK

Vista Equity Partners has told investors it plans to cut its workforce significantly, using artificial intelligence tools to either replace some operational roles or expand without hiring staff.

The private equity group, which manages more than \$100bn in assets, dedicated to software-focused buyouts, would increasingly use technology to compile investor presentations, create marketing materials or aggregate data for the familiar and analysis of deals, people familiar with the matter said.

It also plans to automate back office roles where possible.

Vista had told investors in the firm's funds that its workforce would fall significantly as a result in the coming years, the people said.

Chief executive Robert F Smith had suggested that staff numbers could ultimately fall as much as a third through redundancies and reduced hiring, one person added.

Vista declined to comment. A person briefed on the matter said Vista did "not anticipate any material changes" to its junior teams as a result of the near-term adoption of AI.

Vista has been an early advocate of using AI to find savings across its portfolio businesses and has encouraged its employees to adopt the tools to identify

"They are trying to get leaner and meaner. There's going to be fewer people in these seats"

and analyse investment targets. It scores its companies on their use of AI. The group is in the process of reviewing its portfolio of dozens of software companies for ways that AI technologies can create new opportunities or present a threat to their business models.

Vista wants its portfolio companies to build so-called AI agents that can automate tasks. It was also studying ways its

companies could move to charging clients according to the usage of their software rather than through individual subscriptions, the people said.

"Vista is trying to be ahead of everybody in the space", a person familiar with the situation said. "They are trying to get leaner and meaner. There's going to be fewer people in these seats."

While Vista says the technology creating significant opportunities, it also warned its investors that AI could threaten the business models of some of its investments, the people said.

"People close to Vista said the comments were intended to be "provocative" and challenge finance executives to increase their AI usage.

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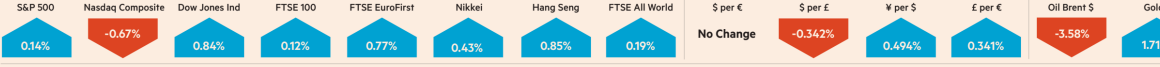
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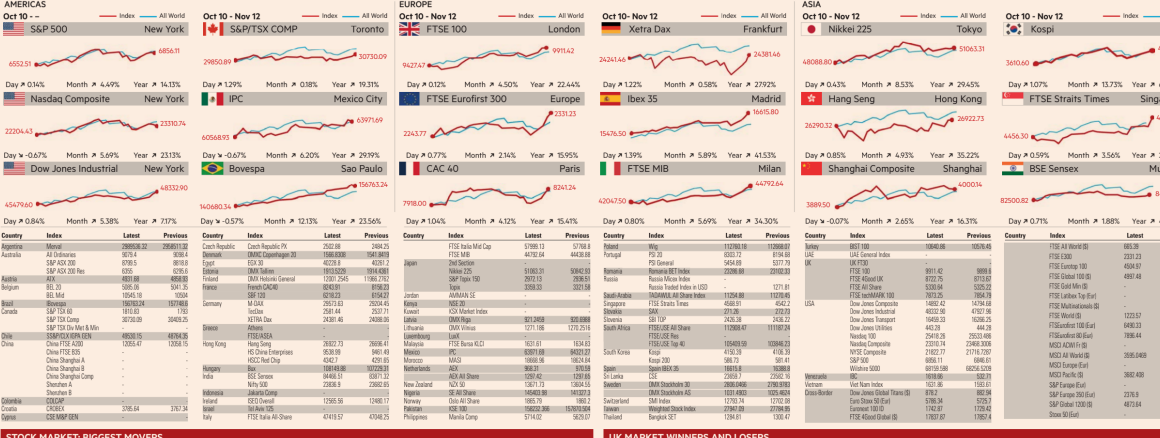
MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (CNY)



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison



STOCK MARKET: BIGGEST MOVERS

AMERICA STOCKS					EUROPE STOCKS					ASIA STOCKS					AMERICA BONDS					EUROPE BONDS					ASIA BONDS					AMERICA COMMODITIES					EUROPE COMMODITIES					ASIA COMMODITIES																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	close	change	%	Index	stock	

UK MARKET WINNERS AND LOSERS

Category	Index	Latest	Previous	Change	Category	Index	Latest	Previous	Change	Category	Index	Latest	Previous	Change
Winners	FTSE 100	7810.0	7810.0	0.00	Losers	FTSE 250	12500.0	12500.0	0.00	Winners	FTSE 100	7810.0	7810.0	0.00
Winners	FTSE 100	7810.0	7810.0	0.00	Losers	FTSE 250	12500.0	12500.0	0.00	Winners	FTSE 100	7810.0	7810.0	0.00
Winners	FTSE 100	7810.0	7810.0	0.00	Losers	FTSE 250	12500.0	12500.0	0.00	Winners	FTSE 100	7810.0	7810.0	0.00
Winners	FTSE 100	7810.0	7810.0	0.00	Losers	FTSE 250	12500.0	12500.0	0.00	Winners	FTSE 100	7810.0	7810.0	0.00

CURRENCIES

Country	Index	Latest	Previous	Change	Country	Index	Latest	Previous	Change	Country	Index	Latest	Previous	Change
USA	Dollar	1.00	1.00	0.00	UK	Pound	1.00	1.00	0.00	Japan	Yen	1.00	1.00	0.00
USA	Dollar	1.00	1.00	0.00	UK	Pound	1.00	1.00	0.00	Japan	Yen	1.00	1.00	0.00
USA	Dollar	1.00	1.00	0.00	UK	Pound	1.00	1.00	0.00	Japan	Yen	1.00	1.00	0.00
USA	Dollar	1.00	1.00	0.00	UK	Pound	1.00	1.00	0.00	Japan	Yen	1.00	1.00	0.00

FTSE ACTUARIES SHARE INDICES

Index	Latest	Previous	Change	Index	Latest	Previous	Change
FTSE 100	7810.0	7810.0	0.00	FTSE 250	12500.0	12500.0	0.00
FTSE 100	7810.0	7810.0	0.00	FTSE 250	12500.0	12500.0	0.00
FTSE 100	7810.0	7810.0	0.00	FTSE 250	12500.0	12500.0	0.00

FT 30 INDEX

Index	Latest	Previous	Change	Index	Latest	Previous	Change
FT 30	3000.0	3000.0	0.00	FT 30	3000.0	3000.0	0.00
FT 30	3000.0	3000.0	0.00	FT 30	3000.0	3000.0	0.00
FT 30	3000.0	3000.0	0.00	FT 30	3000.0	3000.0	0.00

FT WILSHIRE 5000 INDEX SIZE

Index	Latest	Previous	Change	Index	Latest	Previous	Change
FT Wilshire 5000	5000.0	5000.0	0.00	FT Wilshire 5000	5000.0	5000.0	0.00
FT Wilshire 5000	5000.0	5000.0	0.00	FT Wilshire 5000	5000.0	5000.0	0.00
FT Wilshire 5000	5000.0	5000.0	0.00	FT Wilshire 5000	5000.0	5000.0	0.00

FT WILSHIRE GLOBAL EQUITY INDEXES (GEMS)

Index	Latest	Previous	Change	Index	Latest	Previous	Change
FT Wilshire Global	1000.0	1000.0	0.00	FT Wilshire Global	1000.0	1000.0	0.00
FT Wilshire Global	1000.0	1000.0	0.00	FT Wilshire Global	1000.0	1000.0	0.00
FT Wilshire Global	1000.0	1000.0	0.00	FT Wilshire Global	1000.0	1000.0	0.00

FTSE SECTORS: LEADERS & LAGGARDS

	High	Low	Year to date percentage changes							Close	%Chg		Chg
294.4		2631.5	Precious Metals & Mining	157.21	Gas, Water & Multi-utilities	28.15	Industrial Transportation	1.96	3i Group	4088.00	-142.30	Ind Cons Airlines	2
N/A	N/A		Aerospace & Defense	77.48	Electricity	28.10	Chemicals	1.65	Admiral	32.18	-0.32	Interatl Group	54
N/A	N/A		Banking	58.44	Utilities	29.04	Food & Beverage	1.00	Asahi Africa	3.17	-0.08	PLC's Coors Engine	

FTSE 100 SUMMARY

Index	Latest	Previous	Change	Index	Latest	Previous	Change
FTSE 100	7810.0	7810.0	0.00	FTSE 100	7810.0	7810.0	0.00
FTSE 100	7810.0	7810.0	0.00	FTSE 100	7810.0	7810.0	0.00
FTSE 100	7810.0	7810.0	0.00	FTSE 100	7810.0	7810.0	0.00

Company	Price	Change	Volume	Company	Price	Change	Volume	Company	Price	Change	Volume
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000

Company	Price	Change	Volume	Company	Price	Change	Volume
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000

Company	Price	Change	Volume	Company	Price	Change	Volume
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000

Company	Price	Change	Volume	Company	Price	Change	Volume
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000

Company	Price	Change	Volume	Company	Price	Change	Volume
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000
Ad Astra	100.00	0.00	1000000	Ad Astra	100.00	0.00	1000000

Main Market

Main Market

	S2 Week					S2 Week					S2 Week					S2 Week				
	Price	+/- Ctg	High	Low	% Chg	Price	+/- Ctg	High	Low	% Chg	Price	+/- Ctg	High	Low	% Chg	Price	+/- Ctg	High	Low	% Chg
Automotive & Defense																				
IAE Systems																				
Training Group	100.00	7.86	207.00	112.00	1.81	26.67	60.00													
Automobiles & Parts																				
Autobahn																				
BAZ Group	100.37		105.42	66.87	4.51															
BAZ Group																				
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	21.00	1.00	21.00	21.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01												
BAZ Group	192.88	3.44	130.94	126.58	5.55	19.05	60.01	1.01			</									

Long-term debt, net of debt discount	11,700	-0.90	120,000	0.74	—	10,000	11,200	Prudential	1089.93	0.43	1101.37	594.80	1.65	17.08	415.42	Dunelm Group	1137.00	-6.00	1249.00	836.61	6.99	14.73	18.74
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[illegible]

1. *Journal of Management Studies*, 1996, 33, 1, 1-15.

Investment Companies

	Price	52 Week	High	Low	NAV	Div./P	Yield	52 Week	High	Low	NAV	Div./P	Yield	52 Week	High	Low	NAV	Div./P	Yield			
Conventional (or Private Equity)																						
Investment Company of America	368.50	+3.50	389	296.02	10.56	307.72	8.5%	Haynes	244.34	+0.79	278	189	1.29	111.96	4.0%	Schroder Inc	264	244.44	244.44	4.4%		
Investment Company of America	84.00	+0.00	88	60.07	5.85	33.25	+0.82	Haynes	188.66	+0.00	196.5	144	5.69	204.4	4.4%	Schroder Inc	341.86	+0.38	342	232.47	3.5%	
Investment Company of America	37.00	+0.00	38	26.01	2.75	13.50	+0.00	Haynes	91.8	+0.00	91.8	69.8	1.82	102.8	3.6%	Schroder Inc	162	158.8	162	11.8	4.8%	
Investment Company of America	84.00	+0.00	88	60.07	5.85	33.25	+0.82	Haynes	188.66	+0.00	196.5	144	5.69	204.4	4.4%	Schroder Inc	341.86	+0.38	342	232.47	3.5%	
Investment Company of America	117.00	+0.00	122	84.00	11.4	42.15	+1.74	Haynes	245.00	+0.00	250.00	196.2	-71.00	111.0	4.4%	Schroder Inc	260	242.48	409.9	3.15	11.4	6.4%
Investment Company of America	117.00	+0.00	122	84.00	11.4	42.15	+1.74	Haynes	245.00	+0.00	250.00	196.2	-71.00	111.0	4.4%	Schroder Inc	260	242.48	409.9	3.15	11.4	6.4%
Investment Company of America	117.00	+0.00	122	84.00	11.4	42.15	+1.74	Haynes	245.00	+0.00	250.00	196.2	-71.00	111.0	4.4%	Schroder Inc	260	242.48	409.9	3.15	11.4	6.4%
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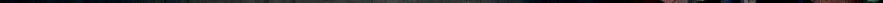
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US Smaller Companies Fund USD B	\$ 30.89	- 0.18	0.18	4.26	5.44							EdenTree Multi-Asset Cautious C B Acc	106.20	- 0.40	2.30	10.91	5.34	
US Sustainable Growth Fund USD C	\$ 30.01	- 0.09	- 0.09	16.27	17.80							EdenTree Multi-Asset Growth C B Acc	112.10	- 0.50	1.73	9.94	9.61	American Fund USD Gass
US Sustainable Value Fund USD C Acc	\$ 15.57	- 0.03	0.03	17.29	0.00							EdenTree Responsible and Sust S Dbl Bld	97.28	- 0.02	3.68	3.41	2.53	American Fund USD Gass
												EdenTree Sterling Bond C A Inc	87.66	- 0.15	4.24	2.68	1.83	American Fund GBP Hedged
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ARTS

Spectacular Hunger Games struggles to hit the target

THEATRE

Sarah Hemming



Many ways, the odds are in favour of **The Hunger Games: On Stage**. Like all great dystopian literature, Suzanne Collins' 2008 young adult novel extrapolated from real world trends to create a nightmarish vision of a future post-apocalyptic North America, where deprived children play a brutal survival game for the entertainment of the wealthy (the idea came to her while channel-surfing between TV game shows and war footage). This new iteration for the stage could scarcely be more resonant, opening in London just after the storming success of the BBC's reality show *The Celebrity Traitors* and against a political backdrop of global inequality and ideological extremes.

It also fields a huge, custom-built venue in the aptly sleek Canary Wharf area, and a crack creative team writer Conor McPherson (whose masterpiece *The Weir* is currently in the West End), director Matthew Dunster (whose thriller *2:22 – A Ghost Story* is on tour) and brilliant design Miriam Buehler, whose lighting dark arena feels like a modern-day equivalent of the Colosseum. They seize on the opportunity offered by live performance to turn the audience into complicit spectators. Meanwhile, Collins has talked about structuring her books like three-act plays, which supports a transition to stage. Yet despite all this, though visually impressive and sometimes ingenious, the resulting show proves a curiously enigmatic spectacle.

The best adaptations often honour the spirit of the original while finding a voice natural to the new medium. Here the script, drawing on the first novel in Collins' trilogy and the 2012 film, never quite achieves that unique, independent dramatic life. In the book, we experience events through the eyes



Mia Carragher as Katniss Everdeen in **'The Hunger Games: On Stage'**
John Pearson

The Hunger Games: On Stage
Troubadour Canary Wharf Theatre, London
★★★★

Coven
Kiln Theatre, London
★★★★

of 16-year-old Katniss, who, since the tragic death of her father, has become a wily huntress to support her mother and younger sister. So when she, together with the baker's son Peeta, become "tributes", competing for their district in the grotesque Hunger Games, it's through her that we encounter the excesses of the Capitol, the horrors of combat, the fear of betrayal.

But first-person narrative can be hard to pull off on stage, and that, together with inevitable compression, means Mia Carragher's charismatic, spirited Katniss mostly pinballs through the

opening sections filling in exposition as she goes. It also means that her character frequently narrates her own thoughts and feelings, which has a flattening effect. The play hits the same beats as the novel but with less shading and subtlety and often feels rushed. Complex issues, such as Katniss's conflicted feelings about Peeta, and his loss of nuance.

The show certainly pulses with energy, with the fine, athletic young cast tumbling across the space and fighting as they hang horizontally from the rafters. It also makes spectacular use of the scope of the arena: at one point Katniss and Peeta soar above the audience in flaming robes and a fiery chariot. Some seating blocks move to sculpt the playing space, while characters often burst out of a pit beneath the stage. Chris Fisher provides smart illusions, Lucy Carter dramatic lighting, and huge screens flash up video-game-style menus or filmed pronouncements from John Malkovich's coldly remote President Snow.

But there are also some strangely redundant dance sequences and confusing plot twists. Audience interaction feels oddly halfhearted. Perhaps most crucially, there's little emotional impact. We are watching children die – that should hit hard, but it doesn't. The show is at its most moving when it becomes more intimate. Joshua Lacey finds depths in games master Haymitch. And

when Euan Garrett's likeable Peeta is injured, both he and Carragher have space to act quietly, subtly and truthfully. Suddenly you really see them as brave, complex teenagers defying hatred with compassion. More of that would be welcome.
Booking to October 2026
thehungergamesonstage.com

This grim story runs through the core of Rebecca Brewer and Daisy Chute's new musical: a cautionary tale of exploitation and tactical division, and an impassioned plea to remember those whom history has expunged. Misery is resented. Together with previous stage works such as Ava Pickett's play *1536* and the musical *Six*, the show blazes with a determination to give lost voices their turn in the spotlight. And like the latter, deploys a mix of anachronistic musical styles to make the point.

But while the intentions are great and some of the songs – ranging from blues, to folk, to witty patter numbers – are immensely stirring and delivered with soaring power by an excellent all-female cast in Miranda Cromwell's production, the show struggles to find a consistent tone and style. That, together with a script that too often yields satire like a club, undermines what could be a moving piece and even detracts from the awesomeness of the women's situation.

We open with now adult Jen (Gabrielle Brooks) thrust into a cell with other supposed "witches" and outraged that someone of her unblemished character and loudly declared religious faith should be placed alongside them. In the cell are other women who have fallen foul of a misogynist society and local powerplay: Martha (Penny Layden), who rebelled against land enclosure;

Rose (Laurny Redding), her daughter, raped by the landowner and then accused of bewitching him; Frances (Shiloh Coke), that landowner's wife, cast off for leaving a stillborn child; Nell (Alyson Ava Brown), the midwife to that birth; and Maggie (Jacinta Whyte), whose healing remedies have aroused suspicion. Initial hostilities between them gradually melt as they realise how each of them has been played and make common cause for the sake of Rose's child.

The performances are rich and vivid, and the cast and onstage band play many of the musical numbers. Ava Brown burns with defiance in "Care", the whole team raises the rafters with anthems "Common Woman" and "Burn Our Bodies", and Brooks and Coke are sensational as women tearing their hearts out as they face the truth.

But where Arthur Miller's *The Crucible*

At one point in 'The Hunger Games', Katniss and Peeta soar above the audience in flaming robes and a fiery chariot

and, more recently, Pickett's *1536*, explore with chilling subtlety the insidious creep of misogyny and the way a society gripped by fear and suspicion can run mad, entrapping individuals, here the voices of authority – the judge, the jury, the jailer – are parodied as merciless grotesques. This has the odd effect of making them far less frightening and the women's predicament much less terrifying. There's little sense of real jeopardy or of the texture and detail of the women's lives. Meanwhile there's a tendency to hammer home political points, rather than let contemporary parallels rise out of the drama.

Coven ends in style, with a blaze of rousing determination, and it certainly feels like a story that needs telling right now. But it needs another work-through to reach its potential.

January 17, kilntheatre.com



New musical 'Coven' tells the story of 17th-century witch-hunts – Max Cropper

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Tangled staging saved by terrific music

OPERA

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★★★★

Shirley Apheror

Much hair is pulled in the course of this staging of Wagner's *Die Walküre*. Hundung pulls Siegfried's hair. Wotan pulls Brünnhilde's hair. Everyone has a go at the hair of the dead heroes in the third act. Sadism is director Calixto Bieito's stock-in-trade, and he can't imagine Wotan's love for his daughter without tossing in a bit of casual incest laced with coercion.

While the new Paris *Ring* cycle began with some promising ideas in January's *Das Rheingold*, *Die Walküre* leaves so many loose ends that even the Norrns would struggle to untangle them. If the *Rheingold* is in fact artificial intelligence, why are all the cables in Wotan's basement? Rebecca Ringst's post-apocalyptic set offer us the skeletal remains of an apartment block, while Sarah Derendinger's video projection paints a disastrous world in which humans need masks and oxygen tanks to survive outside, but dogs and deer bound happily through the rubble.

Masks and tanks have been abandoned by the second act – is the wind blowing from a different direction? Wotan spends most of the third act laying gas masks out on the floor, for no apparent reason. A sapling grows inside Hundung's apartment, where he also keeps an old Nazi officer's uniform, but Siegmund plucks his sword from a random spot on the floor below. Brünnhilde appears in a floor-length silk ballgown with a hobby horse, but her sisters are

all decked out as cyborg stormtroopers. Fricka looks like Tilda Swinton in Wes Anderson's *Moonrise Kingdom*, but strips off her layers to laund Wotan by masturbating. Cringe. For some reason, most of Bieito's women express emotion by taking off their clothes.

It would all be quite ridiculous if the cast weren't so good. Paris has assembled a dream team, from Stanislas Barberyac's youthful, virile Siegmund and Elza van den Heever's immensely touching Siegfried to Tamara Wilson's extraordinary Brünnhilde, a performance of visceral physicality and breath-taking courage. Filling in for an indisposed Ian Paterson, Christopher Maltman is an equally consummate Wotan, at the height of his power, shaping every word with exasperated musical intent.

It is rare to hear all the principal roles sung with such unflagging focus

in a house of this size. Credit is also due to conductor Pablo Heras-Casado, who refined playing from his orchestra without ever swamping the cast. His is a brisk yet expressive *Walküre*, often with the blurred edges of a soft-focus lens, yet always thrilling.

And here, too, Bieito deserves some credit. Even if he seems to run out of ideas after the first few minutes of each scene, the stasis of his staging allows the singers to spend most of their time standing at the front of the stage, facing the conductor. When the music is this good, does it really matter that the props lack coherence?

Heras-Casado's Wagner has the backbone of a solid concert. Bieito has two more operas left to find his own for this Paris *Ring*.

To November 30, operadirect.fr



Tamara Wilson as Brünnhilde and Christopher Maltman as Wotan
Shirley Apheror

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WOMEN OF THE FUTURE
Programme

Bookings from younger passengers since the pandemic have allowed operators to defy the gloom in the rest of the travel sector. The shift is the fruit of a deliberate campaign by the big operators.

By Stephanie Stacey



How Gen Z saved the cruise industry

Thom Pulman's first foray into "seafaring" was a cruise to nowhere in 2020. The voyage was a socially distanced jaunt from Singapore into international waters without any stops – a short-term solution for an industry hit hard by the Covid-19 pandemic.

But for Pulman, it sparked what has become a long-term passion. "It was, at the time, the only sense of normalcy for me, and I started loving taking cruises," he says.

The 35-year-old technology director, now based in Bangkok, is part of a new wave of cruise-goers that has emerged since the pandemic disrupted global travel – a cohort lured, in large part, by cheaper prices, comprehensive amenities and convenience.

People working in the industry are all too aware of the old joke that cruise lines are stacked with "the newly wed, the overfed and the nearly dead".

But the demographics of passengers onboard the megaships have, in reality, broadened dramatically, helping the sector defy the gloom that has weighed down much of the travel industry in 2025 in the US and Europe.

Cruise executives say old Gen Zers, now in their late twenties, and millennials are increasingly choosing ocean-based vacations, pulling down their average passenger age even as populations in the core markets of Europe, Asia and North America get older.

Almost a fifth of 25 to 34-year-olds surveyed by UK travel association Abta had taken a cruise in the past 12 months, up from less than one in 20 in 2019.

That shift is the fruit of a deliberate campaign from the big operators, particularly Royal Caribbean Group, the world's most valuable cruise company, which has "really led this charge to get younger consumers on the ship and make cruising cool again", says Sharon Zackfia, an analyst at William Blair.

Royal Caribbean's strategy has helped the company, now worth about \$70bn, to sail well ahead of its closest ocean-faring competitors, \$35bn Carnival, and \$8bn Norwegian Cruise Line. Its shares now trade at more than twice their pre-pandemic value and are up around 10-fold from their lowest point at the height of the Covid pandemic.

The cruise industry also appears, at least thus far, to have been insulated from the broader economic uncertainty affecting spending in other parts of the travel sector. American households spent an average of 9 per cent more on cruise holidays this September than in the same month in 2024, according to figures from Bank of America, even as aggregate travel spending dropped 2 per cent during a slump in hotel and airline bookings.

Royal Caribbean, Carnival and Norwegian have all raised their full-year earnings guidance amid sustained buoyant momentum throughout 2025. The situation is a far cry from the industry's devastation during the pandemic, when thousands of crew members and passengers fell ill, ships were denied entry to ports and bookings collapsed. At one point in February 2020, a single cruise ship – the Diamond Princess, operated by Carnival subsidiary Princess Cruises – accounted for more than half of the world's confirmed cases of Covid outside China. Seven passengers died during a grim quarantine off the coast of Japan.

'I remember people were debating whether we would ever cruise again'

"I remember people were debating whether we would ever cruise again," says 31-year-old influencer Emma Le Teace, who founded the website Cruising Isn't Just For Old People, later rebranded as EmmaCruises, in 2016. Those days seem distant now. Cruises added almost 10 per cent more passengers year on year in 2024, hitting a record of almost 35mn.

But signs are emerging that the industry is beginning to lose its post-pandemic momentum. Post-peak demand is at risk of being tapped out, as consumers pare back their holiday spending. At the same time, a push among cruise operators to raise ticket prices could scare off inflation-weary consumers.

After a long stretch of growth, US travel agents surveyed by Morgan Stanley this month reported weakening cruise bookings – suppressed by the government shutdown, elevated inflation and Hurricane Melissa. Industry figures are hopeful this is a lull rather than the beginning of a trend. "Enthusiasm for cruising remains high", says analyst Jamie Rollo, "but some consumers are adopting a wait-and-see attitude and booking later."

One of the biggest factors attracting new guests, particularly younger passengers, is the perception of value.

The so-called discount on the cost of a night on a cruise ship versus one in a holiday resort is wider today than it was in 2019. That is partly a function of timing: hotels returned to normality from Covid sooner, and were therefore able to begin increasing their prices before cruise ships, which faced heavy restrictions from the US Centers for Disease Control until July 2022.

Revenues per cruise passenger were up 24 per cent on 2019 in the second quarter of 2025, according to company reports and figures from analytics group STR collated by Barclays Research. Resort rates in the US, meanwhile, climbed 34 per cent in the same period, while rooms in the Caribbean were up 59 per cent. Cruise operators have been "marketing into that [gap]", says Barclays analyst Brandt Montour. Lower prices were, at least initially, "a way to get our consumers back to cruising", says Gianni Onorato, chief executive of the privately held Swiss-Italian operator MSC Cruises.

Value was certainly a factor for Caitlin Nixon, a 28-year-old data analyst from the UK, who took her first cruise with her husband last December. They paid \$4,500, including flights, for an all-inclusive two-week trip in the Caribbean on Tu'i's Marella line.

"We wanted to go see a part of the world that we hadn't explored yet and liked the idea of getting to experience a taste of each place rather than spending the same amount to visit only one," she says. "We found a good deal about a year in advance in a sale and decided to just take the chance that we'd enjoy it."

Staffing is a significant factor behind cruise lines' ability to offer lower costs. More than half of global cruise passengers are Americans, but cruises do not have to recruit locally and can access specialised seafarer work permits, which typically cost less than hiring or bringing overseas workers into a country such as the US.

The big operators do not share precise figures, but analysts say the industry recruits heavily from low-income countries such as the Philippines and Indonesia, and has been shielded from much of the wage inflation that has hit hospitality in the US and Europe.

"They're competing with hospitals, which have increased prices due to higher labour costs," says Montour. "Cruise lines benefit from labour by drawing on labour from a global pool."

These cheaper labour costs have also enabled cruise operators to maintain, or even improve, their pre-pandemic service levels, says William Blair's Zackfia. "Contrast that with land-based hotels [where] there were some compromises made in 2020 – like ending turndown service – that may have continued."

That perceived value has also helped the industry remain buoyant at a time of rising insecurity, as consumers seek all-inclusive packages where they can predict "exactly what they're going to pay", says Jan Freitag, an analyst at real estate information company CoStar.

Cruise operators have an additional incentive for targeting younger passengers. "They're really trying to capture customers early [because] there's a tremendous amount of brand loyalty within the industry," says Bob Levinstein, chief executive of online broker CruiseCupcake. "If Royal Caribbean can get you in as a young adult, that's a long-term investment."

Nixon, for one, is hooked on Tu'i's Marella. "We'd definitely go again and definitely with them," she says.

The pandemic "was a blessing as much as it was a curse", says Goldman Sachs analyst Lizette Dove. "For the first time ever [...] you couldn't physically cruise so they finally had a chance to strategise and start over." That included everything from overhauling cruise lines' digital booking platforms to rethinking ship design and building more flexible itineraries.

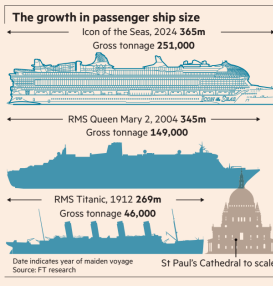
The vessels themselves have also been growing over time to accommodate more passengers and more amenities. The size of the world's largest cruise ships has doubled since 2000. Royal Caribbean's Icon of the Seas, which launched in 2024, is five times heavier than Tu'i's.

Operators have started deploying these newer, larger ships on short-haul voyages. Royal Caribbean in August sent its megaship Wonder of the Seas on three and four-night cruises in the Bahamas from Miami, Florida. It is replicating this strategy: Carnival in August said it would begin offering short-haul sailings from Port Canaveral onboard its third-largest ship, the Mardi Gras, for the first time from 2027.

These shorter routes are particularly important for first-time cruisers who fear "risking their whole vacation," says Dove. They also help attract "working professionals [who] have the money but are very time poor", says Anna Nash, head of MSC's luxury cruise division Explora Journeys.

Recent convert Pulman's latest cruise was a four-day trip on Carnival's Glory from Port Canaveral, Florida, which he tackled on to the end of a business trip in Orlando. He chose the cheapest short-haul sailing on offer: "My goal was to have some sort of getaway: I didn't care too much about the port of calls or the specific ship."

Another pillar of the industry's post-pandemic refresh is a push to repeat the success of Royal Caribbean's private island, Perfect Day at CocoCay, which reopened in 2019 following a \$250mn redevelopment. Featuring beaches, water parks and nature trails, CocoCay is accessed by a purpose-built pier that allows two megaships to dock simultaneously.



The company has continued expanding its portfolio of private destinations, and last month announced it would open a private beach club in Santorini, its first in Europe. Carnival, meanwhile, is developing its \$600mn purpose-built Celebration Key on the island of Grand Bahama, and Norwegian is adding a two-ship pier to its private island Great Stirrup Cay so that it can double visitor numbers from 2026.

These developments can be highly lucrative. "It's great for the cruise lines because they're not paying port charges and they're able to capture onshore revenues that they wouldn't capture in local towns," says CruiseCupcake's Levinstein.

But the push to build more private destinations also has been motivated by a rising global backlash against overtourism, says Levinstein. The French city of Cannes this summer voted to ban larger cruise ships from docking directly, replicating an earlier move by Venice, while Alaska plans to cap the number of cruise passengers visiting its capital, Juneau, from next year.

MSC chief executive Onorato says cruise ships are "easy targets" because of their physical size, but insists cruises are "perfect ways to manage overtourism" because they host visitors offshore, rather than taking up city-centre property, and can spread out the timings of organised tours, while private destinations can reduce congestion in hotspots. Social media influencers such as Le

Passengers watch as Royal Caribbean's Brilliance of the Seas enters the Miraflores Locks of the Panama Canal. The industry drew a record of almost 35mn travellers last year

Harris Bennett/Getty Images

Teace have become increasingly important for recruiting new customers. Working with influencers is "the new way of supplying information to young adults", says Onorato.

Visual platforms such as Instagram and TikTok are particularly effective at overcoming "the biggest impediment to getting first-timers", which is "getting them to understand what cruise is all about", says Carnival's chief financial officer, David Bernstein.

Executives, including Royal Caribbean chief executive Jason Liberty and MSC's Onorato, insist that there is still plenty of room to grow, particularly as the industry remains a small component of the overall travel market. Fewer people took an ocean cruise in 2024 than visited Orlando, home of Walt Disney World, according to figures from the Cruise Lines International Association and Visit Orlando.

Nevertheless, there are some emerging signs of unease. Shares in Royal Caribbean lost 20 per cent in the weeks after the company's third-quarter earnings report in late October failed to meet investors' lofty expectations even as it raised annual profit guidance.

Liberty dismissed the steep drop in his company's shares, saying investors were simply "hoping for a different level of perfection" and that there was "a lot of noise around the [US] consumer that has nothing to do with us".

Still, some believe this could be a turning point for the investor enthusiasm that helped stretch Royal Caribbean's valuation. The company's latest report "does seemingly mark the end of a long string of ever-higher estimate revisions across the cruise industry", says Citi analyst James Hardiman.

Industry executives, meanwhile, are now focused on driving higher returns from every passenger – a move that some analysts fear could dent the value proposition that has helped attract new and younger customers in recent years.

Raising ticket prices is "a priority", says Carnival's Bernstein. "I honestly believe that we should be charging more than land-based resorts – but if we can just close the gap, we're going to be doing incredibly well."

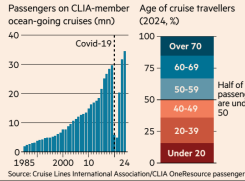
Bernstein is not the only one thinking this way. "For all the services and amenities and activities that we deliver [...] we feel that for what we bring there's an opportunity for us to get paid more," says Royal Caribbean's Liberty.

But economic pressures could make it tough to pursue this objective of narrowing – or even eliminating – the so-called "discount" to land-based resorts. Barclays' Montour said in a note that cruise liners such as Royal Caribbean were operating "in a world where all of leisure travel just has less pricing power." Going forward, he added, the industry would probably be unable to grow "quite as robustly" as it had in recent years.

Liberty says Royal Caribbean's guests are "strong" financially. "They have great jobs. They have great balance sheets and bank accounts. And they have a strong desire to vacation and build experiences and memories with their friends and family," he says. "But, we're also not immune to what's generally happening in the environment." Consumers, he adds, may simply "not be willing to pay like last year."

Graphic illustration by Jan Bött

The cruise industry has rebounded sharply post-pandemic and half of its users are under 50



'[Cruise operators] are really trying to capture customers early because there's a lot of brand loyalty within the industry'

The FT View



FINANCIAL TIMES

"Without fear and without favour"

ft.com/opinion

The EU must rethink its AI rules

Onerous regulation could leave Europe as an also-ran after the US and China

EU officials call the "Brussels effect": the idea that the 27-nation bloc can become the de facto global rule setter in a given area by regulating before anyone else. EU regulation has made useful contributions in safeguarding data privacy and tech-sector competition. But with its 2024 AI Act it over-reached itself. The rules provoked fierce lobbying by Big Tech companies and the US government. More importantly, they jeopardised the competitiveness of EU companies and start-ups, and risk making Europe a permanent also-ran after the US and China in the race to develop and harness the transformative technology. AI is too consequential to leave unregulated. But a proper balance must be struck between restrictive rules and the freedom to pursue innovative technologies.

The EU's AI Act overestimated some risks and was too focused on relying in the general-purpose technology that broke through just at the end of the regulatory process. The most powerful foundation models such as OpenAI's GPT-5 or Google's Gemini – large-scale systems trained on vast datasets that can be adapted for multiple applications – merit proper external scrutiny given their systemic risks. The European legislation puts special obligations on models above a certain threshold. But it also places burdens on all providers of foundation or general-purpose AI (GPAI) models. Regulation is better focused on mitigating AI risks in areas where it is applied, to safeguard privacy, financial integrity, consumer rights or labour rights. Excessive regulation also builds a compliance moat around incumbent businesses and hampers insurgents – a particular problem for EU start-ups. However loudly Big Tech companies may complain about compliance costs,

these are often little more than rounding errors for Silicon Valley titans, but prohibitive for smaller businesses. The first phase of the EU act has been implemented without significant difficulties. This included a ban on "unacceptable risk" systems – the highest of four risk tiers in the legislation – such as using AI for Chinese-style "social scoring", manipulating behaviour, or untargeted "scraping" of facial images from the internet or CCTV footage. As part of a wider simplification of its digital rules, the European Commission is now proposing to delay parts of the next phase, involving "high-risk" AI systems used in areas such as health and critical infrastructure. A draft proposal would grant a one-year grace period for rule breaches beyond the August 2026 implementation. GPAI systems on the market before the implementation date would also earn a one-year pause to allow adaptation time. Mario Draghi, former European Central Bank president turned champion of

A proper balance has to be struck between restrictions and the flexibility to pursue innovative technologies

EU competitiveness, has called for implementation of the next phase to be paused "until we better understand the drawbacks". A delay ought not to become open-ended. But the EU should take this opportunity for a rethink of its AI rules and the way it enforces them. This would not be a case of caving in to Donald Trump or Big Tech – though EU officials suggest being seen to give some ground on AI may help the bloc to withstand US pressure on other key legislation on digital markets and services. The motivation is to give Europe a better chance to compete in the AI sphere. Easing the emulation, however, will achieve little without wider reforms. Europe is well behind on frontier start-ups and access to capital is too limited, and energy costs too high, for EU competitors to replicate the large-scale infrastructure being built in the US. Europe still has an opportunity, though, to provide AI across business and industry – applied overly onerous regulation does not get in the way.

Opinion Technology

Neural data may be the most precious commodity

Maria Hargreaves



Audrey Azoulay

The brain is the last refuge of our private thoughts. Who can imagine being unable to keep one's thoughts to oneself? While we remain far from true mind-reading technology, science has taken steps towards decoding our thoughts. Neurotechnology, a fast-evolving field dedicated to understanding the brain and creating technologies that interact with it, can access, assess and even manipulate our neural systems. This year, neurotechnology took a leap forwards when Meta conducted a series of experiments integrating magnetoencephalography (MEG) – a brain scanning technology which measures the magnetic fields generated by brain activity – with generative artificial intelligence. Meta

Parkinson's patients shows it is possible to induce undesirable behaviours such as compulsive buying. It is urgent that the world takes steps towards governing this powerful new technology. That's why Unesco has developed the first global ethical framework for managing neurotechnology. This month, member states adopted our Recommendation on the Ethics of Neurotechnology. It calls on governments to guarantee the fundamental right to privacy, including mental privacy by strictly governing the sale or sharing of highly sensitive neural and non-neural data which allows others to infer emotions, attention levels and other mental states. Concretely, this means governments must treat such data as sensitive personal data, prohibit data collection through pressure, manipulation or by lack of genuine choice, or use it for advertising without consent. They must also promote privacy by design, encryption and secure data storage, and only enable cross-border data sharing with strong safeguards. In addition to infringements on mental privacy, the Recommendation identifies other risks, particularly for children and young people, whose brains are still developing. Generally, Unesco advises against the use of neurotechnology for non-therapeutic purposes. The Recommendation will also enable policymakers to harness the benefits of the technology. Neurotechnology has transformative medical uses: sufferers of Parkinson's disease, epilepsy and treatment-resistant depression hope that invasive and non-invasive neurotechnology could alleviate their symptoms. In the future, brain-computer interfaces may benefit people of reduced mobility by enabling them to control external devices, such as prosthetic limbs, using only their thoughts. Unesco seeks to promote ethical reflection on the risks posed by emerging technology, and build consensus among our members states on how to mitigate these risks. In 2018, we launched a new global initiative to establish an ethical framework for AI, which led to the unanimous adoption of the Recommendation on the Ethics of AI in 2021. Unesco is now working with 80 member states to build and implement policies which promote fairness, inclusivity and sustainability across the entire AI lifecycle. Now we will support our member states to review their policies, create road maps to address gaps and build their capacities to address the challenges posed by neurotechnology.

Hervé Chneiweiss, a neuroscientist, also contributed to this piece

Letters

Latin America needs help to wean itself off oil and gas

Regarding your Big Read which online ran with the title "Why Latin America can't quit oil" (November 6), it is clear that navigating the tension between climate ambition and fossil fuel-dependent growth models is hard and messy. Add into the mix an unprecedented era of geopolitical volatility, international fiscal pressures and domestic political turbulence and it becomes clear that there is no singular, universal vision for a just energy transition. Each developing country is different.

Brazil's decarbonisation challenge lies in oil production and more in land use change. Two-thirds of its greenhouse gas emissions are land use related, and its energy use is largely composed of clean sources. What these countries have in common is the fact that they all face socio-economic development challenges marred by huge social and income disparities. They need economic growth, fuelled by the exploration of oil and other commodities – such as critical

minerals – to pay for the basic social and healthcare needs of their populations. For COP30 to be a success and fulfil its list of "implementation", Brazil and its Latin American neighbours need constructive allies – ones who recognise that decarbonisation is not a one-size-fits-all policy. Pitting growth against climate action is a false dichotomy. If emerging economies are forced to choose between socio-economic development and climate transition,

many will choose development first. As long as there is demand for fossil fuels, these countries will continue to explore their reserves. Given the urgency and scale of implementation required, the world economy will need to wean itself off fossil fuels while working with Brazil and its neighbours through direct investment and technology transfer to develop alternative growth models. Ana Yang Director of Chatham House's Environment and Society Centre, London SW1, UK

Gold's Freudian links to the subconscious recalled

In her insightful column ("The latest gold rush is an outbreak of huge overthinking", The Long View, FT Weekend, October 25) Katie Martin is right to point out that gold still leads into something deeper than being just a metal; it holds a special place in the heart of investors, and, for true believers, is the cornerstone of an entire personality. It is something that John Maynard Keynes, the 20th-century British economist, observed nearly a century ago, in his *A Treatise on Money*: gold has a Freudian relation to human subconsciously, satisfying strong instincts and serving as a symbol. Yet Martin's aphorism that "only crypto can rival [gold] in that regard" may appear to be exaggerating the argument of deep analysis. Beyond its very short history, crypto is not something you can actually hold in your hands like gold. And it certainly lacks all three classical functions of money: medium of exchange, unit of account and store of value. It may take another hundred



"WE'RE ONLY STAYING TOGETHER FOR THE SAKE OF THE BOND MARKETS"

Should longtime observers of Italy expect a 'miracolo'?

Italy's booming economy in the 1960s was dubbed "il miracolo italiano". But it has since begun looking more like a disaster with endemic political instability (70 governments since the end of the second world war), the Red Brigades and former prime minister Aldo Moro's assassination, stubbornly sub-par economic growth and a debt-to-GDP ratio that peaked at 160 per cent during the Covid-19 pandemic. Fears of an "Italexit" from the euro system contributed to Mario Draghi's successful pledge to do "whatever it takes" to save the euro in 2012, when the Italian led the European Central Bank. But Stefano Caselli's analysis of Italy's current turnaround under Prime Minister Giorgia Meloni ("Europe should learn from Italy's new discipline", Markets Insight, November 6) is striking as well as unexpected. Leading an obnoxious rightwing coalition of Eurosceptics and populists, she appears to have established fiscal discipline that markets are rewarding

with a 10-year government bond yield lower than that of France and the UK. The new 2026 Italian budget aims for a deficit of less than 5 per cent of GDP, encouraging hopes that Italy's BBB+ credit rating may be upgraded, plus Rome being freed from the EU's "excessive deficit" tutelage. A proposed financial markets law aims to simplify tortious existing legislation and accelerate investment in improved productivity and faster economic growth. A new direct strategic fund of the Cassa di Risparmio di Venezia, the Italian development bank, encourages public-private investment to channel Italy's massive savings into more productive investments. Caselli also notes that Italy is today, surprisingly, Europe's second-largest exporter of manufactured products. His report card on Italy's improving economic and financial performance is encouraging to longtime observers of Italy who have been disappointed in the past. Can we believe in a second "miracolo italiano"? J Paul Horne Alexandria, VA, US

OUTLOOK SOUTH ASIA

India bets on the global concert economy



by Chris Kay

Mancurian clubbing culture touched down in Mumbai last month as sunglasses-wearing ravers, some sporting bucket hats, converged inside a dark indoor arena, sheltered from the unseasonal drizzle outside. Thumping beats and energetic sets from the likes of Norwegian-Indian electronic producer Suchi and Australian DJ Boring were part of the Indian debut of The Warehouse Project, a Manchester institution famed for its marathon year-end parties. India's live music scene is thriving. A young, increasingly affluent audience is luring more festivals and global artists to add India to their touring map. In Mumbai, roadside billboards are advertising more upcoming gigs than I've ever seen before, from a K-Pop festival to Enigma Iglesias. International DJs, including Belgian techno titan Charlotte de Witte, are making stopovers, while local clubbing brands Boiler Room and DCTL have joined the local Sunburn electronic dance music festival. Following Coldplay's sold-out performances in Mumbai and Ahmedabad over five days in January, Prime Minister Narendra Modi heralded India's growing "concert economy". The government has described the past year as a critical turning point for the Indian live events industry, pointing to major tours by Bollywood singer-songwriter

Arijit Singh and Punjabi superstar Diljit Dosanjh as well as international stars such as Ed Sheeran. This is all feeding into a \$1.4bn live entertainment industry that EY expects to grow by nearly a fifth each year over the next three years. By 2030, New Delhi wants the country to establish itself among the world's top five live entertainment markets – joining the US, UK, South Korea and UAE. Much work needs to be done before then. Beyond some cricket stadiums, India still struggles with a scarcity of international-standard venues. Another problem, according to event planners, is the barriers presented by India's infamously opaque red tape. The government acknowledges the problems faced by concert and festival organisers, who often have to obtain more than 10 separate permissions and permits per event. "We always had a gut in our head in terms of who's the next guy going to be coming to ask for a piece of the action," said Joji George, a former live events veteran who helped to bring Bon Jovi to the stage in the 1990s and was involved in running Sunburn. "That hasn't changed too much." Abrupt cancellations are frequent. Last year, Canadian DJ deadmau5 (known for performing in a large mouse helmet) was forced to call off a Mumbai show at the last minute amid security restrictions during Modi's visit to the city. And a club night planned here by Drumcode Records, the label run by

Swedish techno don Adam Beyer, was scrapped without explanation earlier this year. More recently, The Smashing Pumpkins said that they had pulled out of their maiden India tour last month "due to unexpected logistical challenges and conditions out of our control". The result was that the band could not "perform these shows up to the standards that we and our fans expect". New Delhi seems to be cognisant of these obstacles at least. India's information ministry recently recommended a more simple national digital licensing system, funding for Indian artists and the construction of 25 to 50 "world-class, tech-ready" venues. Event timings also present a challenge in Mumbai, where most bars and nightclubs close soon after midnight and after-parties tend to be held on the streets. At The Warehouse Project's party in Mumbai, the first set of DJs played to a sparse audience in the afternoon before the crowd filled out the dance floor a couple of hours before the end. Last entry times earlier in the evening aren't really part of the Indian culture yet, said promoter Mark Abbott. "It's something we'll need to work on – finding ways to encourage people to arrive earlier and support the DJs who play first," he added. "Of course, it didn't help that we brought the rain over from Manchester."

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Opinion

Running the BBC has become an impossible job

BUSINESS
John Gapper



John Reith, the first director-general of the BBC, was not satisfied with his record: "What I was capable of compared with what I've achieved is pitiable," he once complained. Other BBC leaders who came after Reith may have felt the same, given the corporation's tendency to lose them abruptly.

Tim Davies is the latest, resigning on Sunday amid accusations of left-wing and liberal bias in its news coverage, including the misleading editing of a documentary about Donald Trump. His statement said that he hoped to clear the way for a "sensible, calm and national public conversation" about the BBC's future. That is vanishingly unlikely.

Running the BBC has never been easy, and its tussles with governments and

other critics reach back at least three decades. But the departure of this director-general, along with head of news Deborah Meakin, is deeply damaging. It has occurred just before a crucial government review of the corporation's funding. David did not have to resign. BBC journalists messed up the programme about President Trump and there were other flaws in its output, but this did not justify such a leadership sacrifice. The editors involved should have corrected errors promptly and faced action if they refused, in line with the broadcaster's motto "pursue truth with no agenda".

The fact that he felt the need to leave reveals deep-seated problems with the BBC's management and the way it has been treated by governments, including the first problem: it has existed for a long time but the situation is more perilous as the broadcasting industry gets squeezed, both in the UK and globally. Both need to be addressed.

The first problem is that the BBC director-general is both its chief executive and editor-in-chief, responsible for everything from entertainment to news. The range of duties may have been man-

ageable in 1927, when the BBC was first created under Reith, but it is now a burden. Not only is it exhausting for the person in the job, but it makes the BBC's leadership fragile.

Turness was to blame if BBC journalists resisted legitimate criticism of its coverage by Michael Prescott, a former independent adviser to its editorial standards board. Her title was chief

For the director-general to be both chief executive and editor-in-chief is not manageable

executive of news and current affairs, after all. A director-general need not double up and then be expected to resign at any crisis.

The BBC has bigger strategic challenges on which its chief executive needs to focus. Traditional television is in decline as it loses viewers (and advertising, in the case of commercial broadcast) to streaming companies such as

Netflix and online platforms including YouTube. ITV has been so badly affected that it is discussing selling its television business to Sky.

The government will soon launch a green paper on the renewal of the BBC's royal charter in 2027. This will examine the future of the annual licence fee paid by every household with a television: "Every [home] in the UK has to think it is worth £174.50," David said recently. At this crucial moment, the BBC has lost the executive who has been in charge of its response.

This speaks to the BBC's second problem: overbearing politicians. The controversy has provoked calls for the removal from the board of Sir Robbie Gibb, a non-executive director and former Conservative director of communications. The underlying difficulty is the fact that a succession of governments has gradually encroached on its independence in the guise of raising editorial standards.

Ofcom has been the BBC's independent regulator since 2017 and strongly criticised one Gaza documentary last month. But this has not stopped govern-

ment ministers adding their own commentary. Lisa Nandy, culture secretary, condemned a "problem of leadership" at BBC after it aired a programme from Glastonbury of the rap duo Bob Vylan leading chants of "Death to the IDF".

The BBC is not a state-run broadcaster and would lose much of its value if it became one. The government has a legitimate role in periodically reviewing the existence of the compulsory licence fee but must be careful not to interfere editorially. Nandy was visiting this week to defend the BBC as "a national institution that belongs to us all", which should retain its independence.

Davie leaves behind a media organisation that still performs credibly, despite its weaknesses. BBC News reaches three quarters of British people weekly and most regard it as accurate and trustworthy. But he was clearly tired of occupying what is now an overstretched role and the BBC should take that seriously. A corporation with 21,000 employees needs a full-time chief executive, not a part-time figure.

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The truth about the UK economy in 2025

BRITAIN
Chris Giles



If you want to understand the UK economy in the run-up to a big-tax-raising Budget, my advice would be not to ask British politicians.

Chancellor Rachel Reeves has blamed tariffs for low growth and investment, volatile supply chains for raising inflation and high global long-term interest rates for increasing borrowing costs. Conservative party leader Kemi Badenoch, by contrast, blames Reeves for policies that have created a taxation doom loop of low growth and worse public finances. Reform UK's leader, Nigel Farage, says the government's policies are so bad, economic collapse is on the cards for 2027.

The truth about the UK economy this year is much less exciting. The Bank of England said last week that by the end of 2025 it expected real GDP growth in the year to have been 1.4 per cent, exactly on track to meet the Office for Budget Responsibility's forecast from March. Inflation, wages and unemployment are, however, a little higher than the OBR expected, partly due to the effects of the government's Budget last year.

On top of these modest forecasting changes, the government needs to fund its failure to get parliamentary approval for welfare cuts and add the cost of MPs' desire to abolish the two-child limit for benefits. Interest rates are a touch higher than expected in March and local authorities are finding it more difficult to squirrel cash aside than normal.

As far as the public finances are concerned, the important thing to note

There has been no disaster, no signs of collapse and little financial market pressure

about all of these moving parts is that they are entirely normal and far from large. This is not like 2022, when the UK was faced with a simultaneous massive rise in energy prices hitting growth, sharply increasing inflation and raising government borrowing costs.

In fact, far from nominal GDP rising tax revenues and the unemployment rise will allow the OBR to pencil in a little extra real GDP growth in the years ahead. These improvements in the deficit outlook will be offset by Labour's failed attempts to curb welfare, a higher upturn of pensions and benefits, more budgetary stress in local authorities and very slightly higher interest rates.

The financial markets are also unchanged. Reeves' mantra of stability, investment and reform is showing few signs of increasing the UK's sustainable growth rate. The additional tax rates on rich firms so far don't appear to have led to an exodus, even if government needs to be careful in that regard. And despite big increases in employment taxes, the official measure of inactivity in the economy has plummeted in the past year, although this apparent improvement in labour supply is quite likely to be due to better measurement rather than real gains.

These changes are set to generate a public finance forecast of a few billion different to that delivered in March in what is now a £2,500bn economy. This is trivial. There has been no disaster, no signs of collapse and little financial market pressure, so the obvious question is why is Reeves about to raise taxes by around £30bn a year, or 1 per cent of GDP?

The money will not buy better public services. It is needed because the OBR has taken the view that it will repay its own long-standing over-optimism about medium-term UK economic growth rates. Lower growth forecasts worsen the outlook for public finances.

The chances of a recession, from Covid-19, austerity and previous governments for the OBR's change in the productivity assumption. The opposition will say it is all the fault of this government. The view that it will repay to pin down, but the proximate cause is clear. The OBR is simply adjusting for a long-standing forecasting error.

Taxes are going up because the OBR got its sums wrong for many years and the world is not as nice as it previously thought. This is not the dramatic story beloved by politicians with easy villains and easier answers. But it has one virtue. It's true.

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Tackling the social media 'monster'

TECHNOLOGY
John Thornhill



Like many parents, Denmark's Prime Minister Mette Frederiksen has strong views about the harmful effects of social media on children. "We have released a monster," she told parliament last month. "Mobile phones and social media violence as our children's childhood."

To tackle the problem, the Danish government moved last week to ban access to social media for children under 15, although the legislation will take time to enact. According to Frederiksen, 94 per cent of children under 15 in Denmark have social media profiles – even though that is supposedly the minimum age for such services.

Almost every parent worries about what their children may be exposed to online and how it will influence their behaviour. Will their child be a victim or perpetrator – or of online bullying and offline violence as so chillingly depicted in Netflix's award-winning *Adolescence*?

Denmark's initiative reflects the growing frustration and anger among lawmakers around the world that the tech industry is not doing enough to tackle social media addiction. The average US teenager spends 4.8 hours a day on social media, including YouTube,

TikTok, Instagram and Facebook. Last year, Australia's government voted to ban social media use by children under 16; the law will take effect in December. As of April, some 26 laws across 19 jurisdictions had been enacted globally to enforce online safety, according to NYU's Stern School of Business.

But the tech industry has often resisted such moves, trumpeting the undoubted benefits of social media. Privately, some companies still dismiss the concerns as the cyclical moral panic that accompanies any new technology. They publicly claim workers are working hard to address harmful content and behaviours for children, while backtracking on content moderation more broadly.

As my colleague John Burn-Murdoch has noted, there is also some evidence to suggest that we may have passed peak social media – albeit not in North America – as young people find other things to do with their lives.

But the addictive social media vice in which many children remain trapped has been explored in a report this week from the think-tank Demos. The two authors, Shawk Gamote and Peter Hain, claim that more than 700 children across Britain find out what they thought.

The authors noted many of the positive uses of social media and smartphones, enabling children to learn, connect, access news and stay safe by using Google Maps or calling home. But they also found that social media was a massive distraction for children and was fuelling pornography,



misogyny and online harassment. One of the biggest challenges for teenagers was knowing how to disconnect. "It's always on. It's part of everything," one teenager told them. "The 'anxious generation' is a real thing," the authors concluded. Both authors were initially sceptical about the value of banning phones in schools. But they concluded that social media should be banned for children under 16 to release them from the "grip of addiction". It is absurd to expect children, parents or teachers to deal with all online risks by themselves – even if they can do more to respond to children's cravings for more social connections in the real world.

If it comes to a straight choice between leaving social media as it is today or banning it outright for children, it is absurd to expect children, parents or teachers to deal with all online risks by themselves

children, Gamote tells me he would ban it. "I think it is completely immoral for anyone under 16 to have access to TikTok," he says.

Many young social media users also appear desperate to end their addiction, which is led by the fear of missing out. One intriguing study of over 1,000 older US college students found they would need to be paid \$50 to cut off their TikTok accounts for a month. But they would pay \$24 for all students to be disconnected from TikTok for four weeks.

Safety campaigners argue that social media companies are never going to respond to the concerns of parents, children or educators vigorously enough given their high dependence on young users. It is only legislation – or lawsuits – that will force them to improve. Even then, real change depends on consistent enforcement. It has been two years since Britain passed the Online Safety Act, containing child safety provisions. But Baroness Bechan Kidron, one of the most active legislators supporting the act, is unhappy with the results. "Unless we have robust regulators we can pass as

many laws as we want and people will not see the difference," she says.

Her fear now is that legislators will wait too long before responding to the harms being caused by children by artificial intelligence chatbots. Every responsible politician has a moral duty to act quickly today, rather than wait 15 years as they did with social media, she says. Some European politicians may hesitate to pursue tougher action against powerful US tech companies for fear of offending the "free speech" libertarians in the Trump administration.

But as Jack Dorsey, the former chief executive of Twitter, told the Oslo Freedom Forum last year, so much of the talk about free speech is a "complete distraction". "I think the real debate should be about free will," he said. Like the Danes, governments should act to protect children's free will by banning social media for the youngest users. Only concerted action will force the careless people of Silicon Valley to accept they have a duty of care.

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Nigeria's inept diplomacy is to blame for Trump's military threats

Max Siollun

The US President Donald Trump's recent threat to go "guns-a-blazing" into Nigeria to take military action to stop the killing of Christians (who are mostly Christians) and cattle herders (who are mostly Muslims)

are about ecology and access to natural resources, not religion. Allowing the most unpredictable US president in recent history to simplify Nigeria's complex insecurity to "the killing of Christians" is primarily an outcome of Nigeria's foreign policy bungling.

Nigeria's sudden appearance in America's military crosshairs is a shock because Abuja and Washington have long been economic and military allies. Nigeria previously wielded economic and military deterrents. Formerly nicknamed "The Giant of Africa", Nigeria is Africa's largest crude oil exporter, most populous nation, and for most of the past 60 years, was the continent's richest and most powerful country. Twenty years ago, the US bought around 400mn barrels of crude oil from Nigeria per year. In the 1990s, Nigeria's military was so powerful it simultaneously intervened in Liberia and Sierra Leone to stop civil wars in both countries.

But Nigeria no longer has the international clout it once did. These days, the US exports more crude oil to Nigeria than it buys, and Nigeria's military is too overwhelmed with internal security

challenges to embark on ambitious extraterritorial missions. Nigeria used to be the US's biggest African trading partner. That title has shifted to South Africa, while Nigeria's economic attention has turned east. Its current biggest trading partner is China.

Simply put, Trump can threaten Nigeria and refer to it as "that now-disgraced country" because the US no longer needs or wants anything of importance from an old ally that has lost its way, that covets with America's greatest geopolitical rival, and that can no longer play regional military policeman as it used to in the 1990s.

Nigeria's waning importance to the US is largely its own fault. By failing to manage its relationship with the most powerful person in the world, not controlling

its own narrative, and by allowing its insecurity to increase, Nigeria has placed itself in a precarious position.

More than two and a half years after taking office and recalling his ambassadors, Nigeria's President Bola Tinubu has not appointed new envoys abroad. He has no ambassador in Washington to get in Trump's ear and explain Nigeria's positions. Tinubu commands the domestic political arena, but does not have the international cachet his predecessors had (such as Olusegun Obasanjo, who was a friend of ex-US presidents Jimmy Carter and Bill Clinton).

America is too powerful and Trump is too impulsive for Nigeria to ignore his salve-rattling. Nigeria has to respond. The choices before Tinubu are stark. He can buy breathing room by letting his military wield a heavier sledgehammer against bandits and insurgents. But the timing of Trump's threat could not be worse as Nigeria's military is in flux after several officers were arrested for alleged plotting a coup.

Tinubu appointed new commanders for Nigeria's army, navy, and air force less than three weeks ago. In addition,

last week the State Security Service (Nigeria's equivalent of MI5) announced that it had dismissed 115 of its personnel. With new commanders grappling with domestic problems, Nigeria's security forces could do without the option of fire of dealing with a belligerent US president. Nigeria's insecurity is too complex for its overstretched security forces to change instantly.

A better option is for Tinubu to lobby Trump and belatedly try to change his mind about Nigeria (admittedly, a notoriously difficult thing to do). This process could include quickly appointing an ambassador in Washington, accepting US military assistance, and sharing more intelligence with the US.

Tinubu has a reputation for being a shrewd operator and for cutting ingenious political deals. He may have to dip into his dealmaking toolbox to strike a deal with a mercurial US president, who might drive the hardest bargain he has ever encountered.

The writer is a historian and the author of *The Forgotten Era: Nigeria Before British Rule*

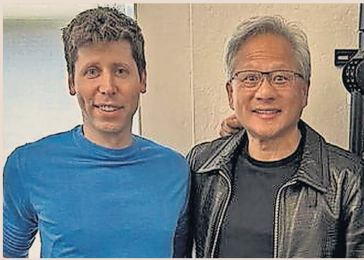
Animal spirits make comeback with increase in merger activity

It's a broadly accepted truth that merger activity is the product of "animal spirits". Over the past couple of years, though, if the deals market were an animal it would have been a kitten: weak and meowing.

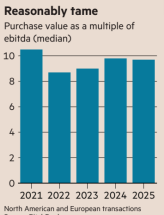
Lately, it is more like a tomatcat. Global deal volumes are rising. While the \$4.2tn this year measured by Dealogic may still be below the \$5.2tn high-water mark reached in the same period of 2021, M&A activity has been accelerating in recent months. And there are other signs of incipient rampantness.

The hunt for larger quarryies, for example. The average transaction captured in Dealogic's data is 12 per cent larger this year compared even with 2021. The technology sector is throwing out the big numbers: Nvidia's \$100bn proposed investment in OpenAI tops the list. In other sectors, Paramount's bid for rival movie studio Warner Bros Discovery, Kimberly-Clark's purchase of paracetamol peddler Kennebec and the merger of miners Anglo-American and Teck must add a combined value of nearly \$160bn.

The how, as well as the who, suggests a reviving appetite for risk. A higher proportion of this year's deals are funded with cash rather than stock, Bloomberg analysis shows, implying that the resulting companies come out with higher leverage. Such transactions can be triumphs where the company really does transform its prospects, but can also increase the potential damage when deals turn bad.



OpenAI boss Sam Altman, left, with Nvidia counterpart Jensen Huang



Private equity is also regaining its claws. Despite the fact that interest rates are still substantially higher than those in post-Covid 2021, it has managed to put in \$1.4tn of bids. One of the largest deals of the year so far was PIF, Silver Lake and Affinity Partners' \$55bn bid for Electronic Arts. The "club deal" where rivals join forces, a throwback to the period before the 2008 financial crisis, has made a reappearance.

There are other, softer, signs that the market is heating up. Think, for instance, of the frenzied bidding war for obesity biotech Metsera, in which Pfizer eventually pipped Novo Nordisk to the \$10bn prize, or the creative deal structure that Novo thought up to tempt the target into

negotiations despite substantial antitrust risk.

But the M&A market is far from in tiger territory. Buyers don't appear to be paying over the odds for their megadeals: valued as multiples of ebitda, companies are being bought for less than in 2021. And for private equity transactions over the past 12 months, overall debt as a multiple of ebitda is lower than it was then too, according to Pitchbook data.

That could change: executives' fear of missing out tends to rise as their sector consolidates around them, leading them to take more risk than they should. Past cycles suggest that M&A animals, once they have regained their spirits in earnest, have a tendency to turn feral.

Japan's insurers look closer to home for better returns

Japan is one of the world's largest net creditors. Its institutional investors' overseas holdings pushed the country's net external assets, which include holdings of foreign securities, to a record last year, according to official data, creeping past ¥533tn (\$3.4tn).

Life insurers are among the largest investors and, for decades, their savings have helped steady global markets. What happens when that flow reverses?

Last month, yields on Japan's 30-year government bond surpassed the record high of 3.28 per cent reached in September. That may not seem very high for some markets, but for Japan it is a big deal. Sovereign yields have stayed near zero and domestic yields have been suppressed by the bank of Japan's ultra-loose policy for almost three decades.

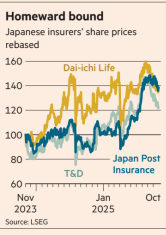
Until now, Japanese institutional investors have poured capital into global credit in search of returns. US Treasuries and European sovereigns have been particularly favoured. The result has been to push global borrowing costs lower than they could otherwise have been.

But now, with local yields rising, domestic investments are becoming more attractive than some international alternatives. That is in part because the yield that foreign instruments offer Japanese investors is eroded by the cost of hedging dollar exposure. That reasoning is already being reflected in portfolios. Half of the top 10 Japanese life insurers have revealed plans to cut overseas debt.

Dai-ichi Life, Taiyō Life and Dai-ichi Life are among those that have cut foreign debt holdings as returns on yen assets improve.

That may be bad news for global credit markets that have become used to the steady demand of Japanese investors. But for local life insurers, this shift helps simplify their investing process. Higher local yields improve investment returns in their portfolios of yen-denominated assets and reduce the need to take on foreign exchange or duration risk.

That also means better returns on their core bond portfolios, lower



earnings volatility from foreign assets and a profitability boost.

Shares of Dai-ichi Life, the largest listed life insurer in Japan, are up 30 per cent from their April low, and trade at 1.6 times tangible book value. This is in line with US and European peers. Historically, Japanese insurers have traded at steep discounts to their global counterparts owing to their poor profitability, with returns on equity as low as half those of US rivals.

As funds move back home, that should mean better long-term return potential and signal a clearer strategic direction for the sector — even if foreign markets, deprived of a long-standing source of support, may be sorry to see them go.

Novo's failed two-step Metsera move holds lessons for the future

Novo Nordisk may still be nursing its wounds after failing to buy rival weight-loss drugmaker Metsera. But the aggressive tactics it used are worth studying by future acquirers as one way to tackle a knotty M&A problem.

To recap, Novo wanted to pay Metsera shareholders a chunk of its \$10bn offer up front, and deliver the rest only once antitrust watchdogs had blessed the deal. During that waiting period, Novo would have held non-voting shares. This was designed to give Metsera a quick win. If regulators said no, Metsera shareholders would get to keep the cash, though Novo

would be stuck with a 50 per cent voteless stake.

Novo came unstuck in two ways. First, the US Federal Trade Commission said Novo would have to go through the usual regulatory process before making that first payment. That deprived Novo of its main charm: immediacy. Second, rival Pfizer offered an all-cash, more conventional bid without the same antitrust problems.

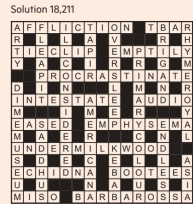
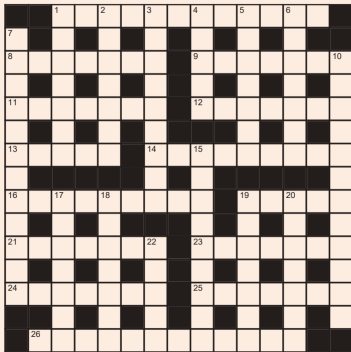
As a tool in the M&A kit, the Novo two-step still looks pretty appealing. Imagine a situation where a seller frets that a deal may be anti-competitive, but the buyer is more confident. Upfront payment without control is a good way to square the circle. It could also unlock more value for bid targets. Biotech may be particularly suited to such arrangements. First, because investors are accustomed to non-traditional bids. Moreover, obesity drugs, in particular, are in high demand. So should a bidder fail and be stuck with a large non-voting stake, there's a reasonably good chance another buyer will put the first comer out of its misery.

For the formula to work, a Novo copycat might have to make tweaks. Novo's offer imposed some restrictions on what Metsera could and could not do before the deal was approved. The Danish company itself may not be quick to revive this strategy, having been publicly knocked back. New chief executive Mike Doustard should probably take a break from aggressive deals. But the two-step he attempted may get another airing soon enough. Making drugs involves trial and error; why not M&A too?



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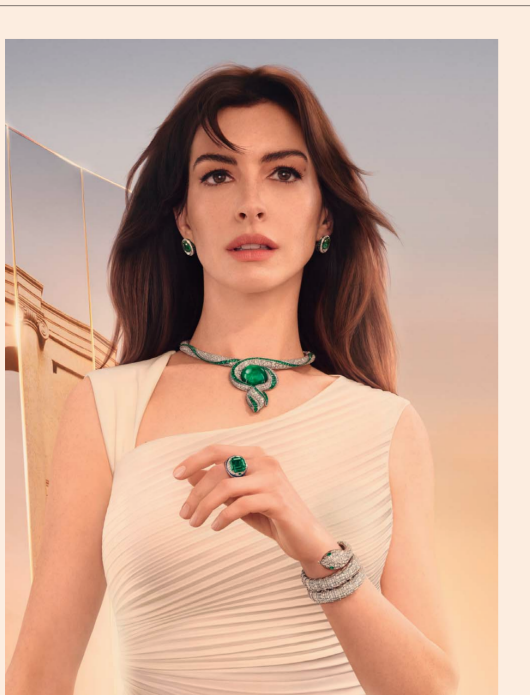
JOTTER PAD

ACROSS

- Appointment fix — finally managed call after dinner (12)
- Too vain about good reception (7)
- Working area of the French king, the best (7)
- In impatient way before long (7)
- Syrup strangely clear — note covers it (7)
- Record help going west by railway (5)
- Fury about knight because false (9)
- Relearn on regular basis after court equipment fraud (9)
- British articles for swim (5)
- Greeting recalled VIP, judge, for us (7)
- Shock treatment — percentage of asset value deducted (7)
- Evading notice by deceiving? Not at first (7)
- Retains redeveloped drink (7)
- Still raven, ever the lesser-spotted, hides (12)

DOWN

- Unusually plain about introduction of organ, a musical instrument (7)
- Service's opening recollected litany, holy (7)
- Careful before buying new pin? Yes, awfully (5-4)
- Periodic inspection of car over time (5)
- Become aware of record, not half modern (7)
- A non-drinker, Bill, he's diplomat (7)
- Regard as up to it and worthy of respect (12)
- Friend about to interfere slyly, securing advantage (12)
- Certain about cleaner ultimately deserving extra payment (9)
- Cock-up initially, guarantee harsh criticism (7)
- Controversial ground on net? (7)
- Extremely bitter one's let off, show anger (7)
- Manoeuvres using diplomacy in circumstances sensitive at the outset (7)
- Genuine claim (5)



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